

AMENDED

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name GLADWIN COUNTY	County GLADWIN
Audit Date 12/31/2004	Opinion Date 5/13/2005	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ yes ☐ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGR).	X		

Certified Public Accountant (Firm Name) BURNSIDE & LANG, P.C.			
Street Address 5915 EASTMAN AVE, SUITE 100	City MIDLAND	State MI	ZIP 48640
Accountant Signature			

**THE COUNTY OF  
GLADWIN, MICHIGAN**

---

**FINANCIAL STATEMENTS**  
For The Year Ended December 31, 2004

GLADWIN COUNTY, MICHIGAN  
AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2004

Table of Contents

**INTRODUCTORY SECTION:**

List of Principal Officers .....	1
County population, State equalized value, and Taxable value .....	2

**FINANCIAL SECTION:**

INDEPENDENT AUDITORS' REPORT .....	3-4
------------------------------------	-----

**REQUIRED SUPPLEMENTARY INFORMATION:**

Management's Discussion and Analysis (Exhibit 1) .....	5-11
--	------

**BASIC FINANCIAL STATEMENTS:**

Government-Wide Statement of Net Assets (Exhibit 2).....	12
Government-Wide Statement of Activities (Exhibit 3) .....	13
Balance Sheet - Governmental Funds (Exhibit 4) .....	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets (Exhibit 4.1).....	15
Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit 5) .....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Exhibit 5.1) .....	17
Proprietary Fund Statement of Net Assets (Exhibit 6) .....	18
Proprietary Fund Statement of Revenue, Expenses and Changes in Net Assets (Exhibit 7).....	19
Proprietary Fund Statement of Cash Flows (Exhibit 8).....	20
Statement of Fiduciary Net Assets (Exhibit 9) .....	21
Notes to Financial Statements.....	22-44

## **REQUIRED SUPPLEMENTARY INFORMATION:**

Budgetary Comparison Schedule - General Fund (Exhibit 10) .....	45-46
Budgetary Comparison Schedule - Gypsy Moth Fund (Exhibit 11).....	47

## **OTHER SUPPLEMENTARY INFORMATION:**

Combining Balance Sheet Nonmajor Governmental Funds (Exhibit 12) .....	48-58
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances–Nonmajor Governmental Funds (Exhibit 13) .....	59-69
Combining Statement of Net Assets - Component Units (Exhibit 14) .....	70
Combining Statement of Activities - Component Units (Exhibit 15).....	71

## **REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*:**

Schedule of Federal Awards .....	72
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	73-74
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i> .....	75-76
Schedule of Findings and Questioned Costs.....	77-78

GLADWIN COUNTY

BOARD OF COMMISSIONERS

Terry Whittington  
Chairperson

Keith Edick  
Frank Grimes  
Marti Miller  
Thomas Hoag  
Earl Schuster  
Kathy Wilton

COURT JUDGES

Gary J. Allen	District Judge
Thomas P. McLaughlin	Probate Judge
Kurt N. Hansen	Circuit Judge

ELECTED ROAD COMMISSIONERS

Doyle Donn	Chairperson
Robert Pettit	Vice-Chair
Larry Miller	Member

OTHER ELECTED OFFICIALS

Sherry Augustine	Drain Commissioner
Michael Shea	Sheriff
Thomas R. Evans	Prosecuting Attorney
Bonnie K. House	Register of Deeds
Laura E. Flach	Clerk
Jannis K. Letzgus	Treasurer

GLADWIN COUNTY  
December 31, 2004

COUNTY POPULATION-2000 CENSUS  
26,023

STATE EQUALIZED VALUE-2004  
\$1,062,421,001

STATE TAXABLE VALUE-2004  
\$754,410,220

**Independent Auditors' Report**

Members of the  
Board of Commissioners of  
Gladwin County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Gladwin County, Michigan (the "County"), as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

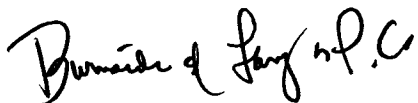
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Gladwin County, Michigan, as of December 31, 2004, and the respective changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in footnote 10, the County has implemented a new financial reporting model, as required by the provisions of GASB Statement No.34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of December 31, 2004.

The management's discussion and analysis and budgetary comparison information on pages 5 through 11 and 45 through 47, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gladwin County basic financial statements. The introductory section on page 1 and the combining fund financial statements on pages 48 through 71 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script, appearing to read "Bernard J. Long, P.C.", written in dark ink.

Midland, Michigan  
May 13, 2005



**GLADWIN COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2004**

As management of the Gladwin County (the "County"), Michigan, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the accompanying basic financial statements.

**Financial Highlights**

- The assets of the primary government exceeded its liabilities at the close of the most recent fiscal year by \$7,886,744 (net assets). Of this amount, \$7,181,564 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the County's governmental activities reported combined ending net assets of \$4,718,174. Approximately 85% percent of this total amount, \$4,012,994, is available for spending at the government's discretion (unrestricted net assets).
- At the end of the current fiscal year, unreserved and undesignated fund balance for the general fund was \$1,031,392, or approximately 12% percent of total general fund expenditures (Total Expenditures and Other Financing Uses).

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. These statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

**GLADWIN COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2004**

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities include general government, public safety, public works, health and welfare, community and economic development, recreation and cultural and other functions. Business-type activities include delinquent tax collections, public transit and an operation of an internal service fund.

The County's financial statements also include legally separate entities (component units) for which the County is financially accountable. The component units include County Road Commission, City County Transit System, Drain Commission, Department of Public Works, and the Building Authority. Financial information for the component units are reported separately from the financial information presented for the primary government itself.

**Fund Financial Statements.** A fund is a grouping of related accounts and is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental funds.* Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general governmental operations and the basic services it provides.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between government funds and governmental activities.

The County maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Gypsy Moth Fund, each of which is considered to be a major fund. Data for the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

**GLADWIN COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2004**

*Proprietary funds.* The County maintains only one type of proprietary funds: internal service funds. The Internal service funds are used to accumulate and allocate costs internally among the County's various functions. These funds account for the financing of goods and services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units on a cost reimbursement basis, or for the purchase of delinquent real property taxes from local units of government.

The Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only with more detail. The proprietary fund financial statements provide separate information for each enterprise fund, since two (2) of the three (3) funds are considered major funds.

*Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's budgetary comparison schedules.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

**Government-Wide Financial Analysis**

The government-wide financial statements focus on the net assets and changes in net assets of the governmental and business-type activities. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As the following table demonstrates, the County's assets exceeded its liabilities by \$7,886,744 at December 31, 2004.

**GLADWIN COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2004**

**Gladwin County's Net Assets**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
	<b>2004</b>	<b>2004</b>	<b>2004</b>
<b>Assets</b>			
Current assets	\$ 10,197,028	\$ 4,411,483	\$ 14,608,511
Non-current assets	693,970	–	693,970
Total assets	10,890,998	4,411,483	15,302,481
<b>Liabilities</b>			
Current	5,967,536	1,242,913	7,210,449
Non-current	205,288	–	205,288
Total liabilities	6,172,824	1,242,913	7,415,737
<b>Net Assets</b>			
Invested in capital assets – net	693,970	–	693,970
Restricted	11,210	–	11,210
Unrestricted	4,012,994	3,168,570	7,181,564
Total net assets	\$ 4,718,174	\$ 3,168,570	\$ 7,886,744

The largest portion of the County's net assets, \$7,181,564 (90% percent) represents unrestricted net assets that may be used to meet the County's ongoing obligations to citizens and creditors.

An additional portion of the County's net assets, \$693,970 (9% percent) reflects its investment in capital assets (i.e., land, buildings, vehicles, equipment and infrastructure); less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of \$11,210 (1% percent) represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the County is able to report positive balances in all three categories (invested in capital assets-net of related debt, restricted and unrestricted) of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

**GLADWIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2004**

**Financial Analysis of the County's Funds**

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At December 31, 2004, the County's governmental funds reported combined ending fund balances of \$4,229,492. This was primarily due to increases in grant funding and charge for service fees. Of the fund balance amount, \$4,223,192 constitutes unreserved fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,031,392, with a total fund balance of \$1,037,692. Unreserved fund balance represents approximately 12% percent of total general fund expenditures (Total Expenditures and Other Financing Uses). This is primarily attributable to decreases in grant funded and charges for service fees revenue areas and significant increases in employee health insurance.

The County's Gypsy Moth fund had a total fund balance of \$1,080,547 as a result of continued low gypsy moth infestation.

The County's Other Governmental funds had an ending fund balance of \$2,111,253, all of which was unreserved.

*Proprietary funds.* The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at year-end amounted to \$3,168,570.

**FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR AND NONMAJOR FUNDS**

As the County completed the fiscal year 2004, its governmental funds reported combined fund balances of \$4,229,492.

**General Fund Budgetary Highlights**

Differences between the original and final amended budgets for revenue (revenue and other financing sources) resulted in a 5% percent increase, (\$319,836 increase in appropriations). The increases were primarily attributed to additional grant funds and additional reimbursements.

**GLADWIN COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2004**

Differences between the original and final amended budgets for expenditures (expenditures and other financing uses) resulted in a 7% percent increase, (\$479,947 increase in appropriations).

Overall during the year, general fund revenues (revenue and other financing sources) were minimally below the budgetary estimates by \$299,584 or 5%. No area showed a noticeable variance. Expenditures (expenditures and other financing uses) were also minimally less than budgetary estimates overall (\$612,728 or 7%). This resulted in an actual increase in fund balance of \$202,144 as compared to budgeted (anticipated) use of fund balance of \$100,000.

Budget to actual comparisons for the vast majority of the County's special revenue funds were favorable.

**Gypsy Moth Fund Budgetary Highlights**

There were no changes in the original budgeted amounts for the Gypsy Moth Fund for the year ended December 31, 2004.

Overall during the year, general fund revenues (revenue and other financing sources) were above the budgetary estimates by \$25,222 or 94%. No area showed a noticeable variance. Expenditures (expenditures and other financing uses) were less than budgetary estimates overall (\$10,398 or 11%). This resulted in an actual decrease in fund balance of \$29,279 as compared to budgeted (anticipated) use of fund balance of \$64,899.

**Capital Asset and Debt Administration**

**Capital assets.** The County's investment in capital assets for its governmental activities as of December 31, 2004, amounted to \$693,970, (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, machinery and equipment and vehicular equipment.

Major capital assets during the current fiscal year included the following:

Land	\$ 300,327
Equipment	335,645
Vehicles	<u>57,998</u>
Total	<u>\$ 693,970</u>

Additional information on the County's capital assets can be found in Note 4 of this report.

**GLADWIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2004**

**Long-term debt.** Debt is classified as long-term if it matures in a period greater than one year. At the end of the current fiscal year, the primary government had total debt outstanding of \$205,288.

Additional information on the County's long-term debt can be found in Note 6 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the County's 2005 budget:

- Property tax revenues are projected to increase 6 percent in 2005.
- Inflationary trends in the region compare favorably to national indices.
- The worsening state economy will result in decreasing state funding, particularly in State Income Tax (i.e., State Revenue Sharing).

Highlights of the 2004 budget are as follows:

- The County Board of Commissioners adopted several fiscal policies on Use of Fund Balance, Use of Delinquent Tax Fund that provides guidelines for long-term fiscal health.
- The County budgeted a contingency of \$229,455 as a means of anticipating unexpected revenue shortfalls and/or over-expenditures.

During the current fiscal year, unreserved fund balance in the general fund totaled \$1,031,392. The general rule of thumb is that fund balances can be used to help government weather bad times, but should not be used as a means of funding routine operations. For the 2005 budget, the County plans to continue progress on reducing reliance upon fund balance in the general fund.

**Contacting the County's Management**

This financial report is designed to provide a general overview of the County's finances to all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to County Administrator, County of Gladwin, 401 West Cedar Avenue, Gladwin, Michigan 48624.

**GLADWIN COUNTY**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**December 31, 2004**

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$ 4,288,412	\$ 2,268,707	\$ 6,557,119	\$ 2,423,589
Accounts receivable, net	41,432	-	41,432	726,752
Taxes receivable, net	5,236,362	1,043,996	6,280,358	1,308,748
Other receivables, net	-	-	-	1,635,000
Due from other funds	616,805	98,780	715,585	-
Due from other governmental units	7,717	-	7,717	246,223
Inventory	-	-	-	222,923
Prepaid items	-	-	-	76,636
Advances to other funds	6,300	1,000,000	1,006,300	-
Other assets	-	-	-	48,091
Capital assets:				
Land	300,327	-	300,327	352,790
Buildings and improvements, net	-	-	-	750,000
Equipment, net	335,645	-	335,645	1,752,217
Vehicles, net	57,998	-	57,998	-
Infrastructure	-	-	-	5,261,761
Construction in progress	-	-	-	2,744,555
Total capital assets	693,970	-	693,970	10,861,323
Total assets	10,890,998	4,411,483	15,302,481	17,549,285
LIABILITIES				
Accounts payable	263,017	224,000	487,017	280,479
Accrued expenses	-	-	-	51,979
Due to other funds	466,305	18,913	485,218	150,500
Due to other governmental units	442	-	442	81,650
Advances from other governmental units	-	-	-	144,482
Deposits and other liabilities	1,410	1,000,000	1,001,410	6,300
Deferred revenue	5,236,362	-	5,236,362	1,467,612
Long-term liabilities:				
Portion due or payable within one year:				
Bonds and contracts payable	-	-	-	328,127
Portion due or payable after one year:				
Bonds and contracts payable	-	-	-	5,160,561
Compensated absences	205,288	-	205,288	343,821
Total liabilities	6,172,824	1,242,913	7,415,737	8,015,511
NET ASSETS				
Invested in capital assets, net of related debt	693,970	-	693,970	5,372,635
Restricted for:				
Long-term advances to other funds	6,300	-	6,300	-
Debt service	4,910	-	4,910	-
Unrestricted	4,012,994	3,168,570	7,181,564	4,161,139
Total net assets	\$ 4,718,174	\$ 3,168,570	\$ 7,886,744	\$ 9,533,774

The accompanying notes are an integral part of these financial statements.



**GLADWIN COUNTY**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2004**

Activities:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	Component Units
<b>Governmental:</b>								
General government	\$ 4,181,679	\$ 1,241,324	\$ 149,828	\$ -	\$ (2,790,527)		\$ (2,790,527)	
Public safety	3,612,621	289,563	125,033	-	(3,198,025)		(3,198,025)	
Public works	2,196,687	422,453	-	-	(1,774,234)		(1,774,234)	
Community and economic development	1,454,996	-	-	-	(1,454,996)		(1,454,996)	
Recreation and culture	629,441	-	-	-	(629,441)		(629,441)	
Interest and fiscal charges	3,983	-	-	-	(3,983)		(3,983)	
Total governmental activities	12,079,407	1,953,340	274,861	-	(9,851,206)		(9,851,206)	
<b>Business-type:</b>								
Tax Revolving	100,765	5,856	-	-		\$ (94,909)	(94,909)	
Total business-type activities	100,765	5,856	-	-		(94,909)	(94,909)	
Total Primary Government	\$ 12,180,172	\$ 1,959,196	\$ 274,861	\$ -	(9,851,206)	(94,909)	(9,946,115)	
<b>Component units:</b>								
Public works	5,553,401	1,951,329	3,669,557	934,025				
Interest and fiscal charges	170,072	-	-	-				
Total component units	\$ 5,723,473	\$ 1,951,329	\$ 3,669,557	\$ 934,025				\$ 831,438
General revenues:								
Property taxes, levied for general purposes					5,050,141	241,838	5,291,979	2,044,296
Federal aid					-	-	-	609,163
State aid					1,051,363	-	1,051,363	696,440
Local contributions					-	-	-	276,142
Investment earnings					79,988	238,389	318,377	40,893
Miscellaneous					3,242,362	120,798	3,363,160	63,137
Transfers					1,175,277	(364,128)	811,149	-
Total general revenues and transfers					10,599,131	236,897	10,836,028	3,730,071
Change in net assets					747,925	141,988	889,913	4,561,509
Net assets-beginning					3,970,249	3,026,582	6,996,831	4,972,265
<b>Net assets-ending</b>					<b>\$ 4,718,174</b>	<b>\$ 3,168,570</b>	<b>\$ 7,886,744</b>	<b>\$ 9,533,774</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31,2004**

	<u>General</u>	<u>Gypsy Moth</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 742,880	\$ 1,080,750	\$ 2,464,782	\$ 4,288,412
Receivables (net)				
Taxes	3,459,499	-	1,776,863	5,236,362
Accounts receivable	17,562	-	23,870	41,432
Due from other governmental units	-	-	7,717	7,717
Due from other funds	467,305	-	149,500	616,805
Advances to other funds	6,300	-	-	6,300
<b>Total assets</b>	<b><u>\$ 4,693,546</u></b>	<b><u>\$ 1,080,750</u></b>	<b><u>\$ 4,422,732</u></b>	<b><u>\$ 10,197,028</u></b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ 194,503	\$ 203	\$ 68,311	\$ 263,017
Due to other governmental units	442	-	-	442
Due to other funds	-	-	466,305	466,305
Deferred revenue				
Taxes and assessments	3,459,499	-	1,776,863	5,236,362
Other liabilities	1,410	-	-	1,410
<b>Total liabilities</b>	<b><u>3,655,854</u></b>	<b><u>203</u></b>	<b><u>2,311,479</u></b>	<b><u>5,967,536</u></b>
<b>Fund balance</b>				
Reserved				
Long-term advances to other funds	6,300	-	-	6,300
Unreserved				
Undesignated	1,031,392	1,080,547	2,111,253	4,223,192
<b>Total fund balance</b>	<b><u>1,037,692</u></b>	<b><u>1,080,547</u></b>	<b><u>2,111,253</u></b>	<b><u>4,229,492</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 4,693,546</u></b>	<b><u>\$ 1,080,750</u></b>	<b><u>\$ 4,422,732</u></b>	<b><u>\$ 10,197,028</u></b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**December 31, 2004**

Total fund balances for governmental funds (Exhibit 4)		\$ 4,229,492
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	\$ 300,327	
Equipment, net of \$411,511 accumulated depreciation	335,645	
Vehicles, net of \$1,634,763 accumulated depreciation	<u>57,998</u>	
Total capital assets		693,970
Compensated absences:		
Accrued vacation and sick leave	<u>\$ (205,288)</u>	
		<u>(205,288)</u>
Total net assets of governmental activities (Exhibit 2)		<u><u>\$ 4,718,174</u></u>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2004**

	<u>General</u>	<u>Gypsy Moth</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>REVENUES</b>				
Property taxes and related fees	\$ 3,565,204	\$ 22	\$ 1,484,915	\$ 5,050,141
Licenses and permits	287,163	-	-	287,163
Federal aid	149,828	-	125,033	274,861
State aid	744,572	36,499	270,292	1,051,363
Contributions from local units	25,146	-	877,652	902,798
Charges for services	1,241,324	-	422,453	1,663,777
Fines, fees, and forfeits	-	-	2,400	2,400
Interest and dividends	33,860	14,611	31,517	79,988
Miscellaneous	319,741	945	2,018,878	2,339,564
<b>Total revenues</b>	<b>6,366,838</b>	<b>52,077</b>	<b>5,233,140</b>	<b>11,652,055</b>
<b>EXPENDITURES</b>				
Legislative	\$ 200,297	\$ -	\$ -	\$ 200,297
Judicial	1,288,553	-	13,335	1,301,888
General government	1,689,451	-	110,584	1,800,035
Public safety	3,171,737	-	398,585	3,570,322
Public works	6,470	-	2,190,217	2,196,687
Health and welfare	428,321	-	1,026,675	1,454,996
Recreation and culture	9,831	-	619,610	629,441
Other	647,663	77,307	2,122	727,092
Capital outlay	182,412	4,049	6,166	192,627
Debt service				
Principal	-	-	159,000	159,000
Interest	-	-	3,983	3,983
<b>Total expenditures</b>	<b>7,624,735</b>	<b>81,356</b>	<b>4,530,277</b>	<b>12,236,368</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(1,257,897)</b>	<b>(29,279)</b>	<b>702,863</b>	<b>(584,313)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers-in	1,460,041	-	604,493	2,064,534
Transfers-out	-	-	(889,257)	(889,257)
<b>Total other financing sources and uses</b>	<b>1,460,041</b>	<b>-</b>	<b>(284,764)</b>	<b>1,175,277</b>
<b>Net change in fund balances</b>	<b>202,144</b>	<b>(29,279)</b>	<b>418,099</b>	<b>590,964</b>
Fund balances-beginning	835,548	1,109,826	1,693,154	3,638,528
<b>Fund balances-ending</b>	<b>\$ 1,037,692</b>	<b>\$ 1,080,547</b>	<b>\$ 2,111,253</b>	<b>\$ 4,229,492</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUE,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**December 31, 2004**

Net change in fund balances - total governmental funds (Exhibit 5)	\$	590,964
--	----	---------

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$194,666) exceeded capital outlay (\$192,627) in the current period.		(2,039)
--	--	---------

Debt proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Repayments:			
Gladwin city water bonds, 10/15/1976	\$	159,000	159,000

Change in net assets of governmental activities (Exhibit 3)	\$	747,925
---	----	---------

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**December 31, 2004**

	Tax Revolving Funds								Total
	1999 Tax Revolving	2001 Tax Revolving	2002 Tax Revolving	2003 Tax Revolving	2004 Tax Revolving	Unallocated Tax Revolving	Total Tax Revolving	Tax Reversion	Proprietary Funds
ASSETS									
Current assets:									
Cash and cash equivalents	\$ -	\$ -	\$ 318,087	\$ 546,089	\$ 1,110	\$ 747,643	\$ 1,612,929	\$ 655,778	\$ 2,268,707
Accounts receivable, net									
Taxes	-	-	34,560	179,003	784,843	45,590	1,043,996	-	1,043,996
Due from other funds	-	-	-	37,326	54,507	-	91,833	6,947	98,780
Advances to other funds	-	-	-	-	-	1,000,000	1,000,000	-	1,000,000
Total current assets	-	-	352,647	762,418	840,460	1,793,233	3,748,758	662,725	4,411,483
Total assets	-	-	352,647	762,418	840,460	1,793,233	3,748,758	662,725	4,411,483
LIABILITIES									
Current liabilities:									
Notes payable	-	-	-	-	224,000	-	224,000	-	224,000
Due to other funds	-	-	-	18,913	-	-	18,913	-	18,913
Advances from other funds	-	-	-	500,000	500,000	-	1,000,000	-	1,000,000
Total liabilities	-	-	-	518,913	724,000	-	1,242,913	-	1,242,913
NET ASSETS									
Unrestricted	-	-	352,647	243,505	116,460	1,793,233	2,505,845	662,725	3,168,570
Total net assets	\$ -	\$ -	\$ 352,647	\$ 243,505	\$ 116,460	\$ 1,793,233	\$ 2,505,845	\$ 662,725	\$ 3,168,570

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2004**

	Tax Revolving Funds							Total	
	1999 Tax Revolving	2001 Tax Revolving	2002 Tax Revolving	2003 Tax Revolving	2004 Tax Revolving	Unallocated Tax Revolving	Total Tax Revolving	Tax Reversion	Proprietary Funds
OPERATING REVENUES									
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,856	\$ 5,856
Total operating revenues	-	-	-	-	-	-	-	5,856	5,856
OPERATING EXPENSES									
Personal services	-	-	-	-	-	-	-	18,147	18,147
Fringe benefits	-	-	-	-	-	-	-	5,964	5,964
Supplies	-	-	-	-	-	-	-	2,461	2,461
Fees and charges	-	-	-	-	8,360	-	8,360	54,211	62,571
Other	73	1	-	-	17	17	108	4,053	4,161
Capital outlay	-	-	-	-	-	-	-	9,267	9,267
Debt service									
Principal	-	-	-	-	-	-	-	-	-
Interest	-	-	-	690	6,771	-	7,461	-	7,461
Total operating expenses	73	1	-	690	15,148	17	15,929	94,103	110,032
Operating income (loss)	(73)	(1)	-	(690)	(15,148)	(17)	(15,929)	(88,247)	(104,176)
NONOPERATING REVENUES (EXPENSES)									
Property taxes and related fees	27	60	4,887	24,665	64,497	1,423	95,559	146,279	241,838
Interest and dividends income	2,837	1,945	38,622	103,836	67,111	15,864	230,215	8,174	238,389
Gain (loss) on sale of assets	-	-	-	-	-	-	-	120,798	120,798
Total nonoperating revenue (expenses)	2,864	2,005	43,509	128,501	131,608	17,287	325,774	275,251	601,025
Income (loss) before capital grants and transfers	2,791	2,004	43,509	127,811	116,460	17,270	309,845	187,004	496,849
TRANSFERS									
Transfers in	-	-	18,913	-	-	778,904	797,817	-	797,817
Transfers (out)	(466,178)	(312,726)	-	(18,913)	-	(860,977)	(1,658,794)	-	(1,658,794)
Changes in net assets	(463,387)	(310,722)	62,422	108,898	116,460	(64,803)	(551,132)	187,004	(364,128)
Total net assets-beginning	463,387	310,722	290,225	134,607	-	1,858,036	3,056,977	475,721	3,532,698
Total net assets-ending	\$ -	\$ -	\$ 352,647	\$ 243,505	\$ 116,460	\$ 1,793,233	\$ 2,505,845	\$ 662,725	\$ 3,168,570

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**PROPRIETARY FUND STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2004**

	<b>Tax Revolving Funds</b>								<b>Total</b>
	<b>1999 Tax</b>	<b>2001 Tax</b>	<b>2002 Tax</b>	<b>2003 Tax</b>	<b>2004 Tax</b>	<b>Unallocated Tax</b>	<b>Total</b>	<b>Tax</b>	<b>Proprietary</b>
	<b>Revolving</b>	<b>Revolving</b>	<b>Revolving</b>	<b>Revolving</b>	<b>Revolving</b>	<b>Revolving</b>	<b>Tax Revolving</b>	<b>Reversion</b>	<b>Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>									
Cash received from customers	\$ -	\$ -	\$ -	\$ -	\$ (8,360)	\$ -	\$ (8,360)	\$ (66,502)	\$ (74,862)
Cash payments to suppliers for goods and services	-	-	-	-	-	-	-	(2,461)	(2,461)
Cash payments to employees and related taxes and insurance	-	-	-	-	-	-	-	(5,964)	(5,964)
Other operating revenues (expenses)	(73)	(1)	-	-	(17)	(17)	(108)	(4,053)	(4,161)
Net cash provided (used) by operating activities	(73)	(1)	-	-	(8,377)	(17)	(8,468)	(78,980)	(87,448)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>									
Property taxes	1,271	39,569	128,203	641,476	(720,346)	(22,742)	67,431	146,279	213,710
Interfund loans-proceeds and collections	470	6,846	(688,697)	122,795	445,493	250,000	136,907	(6,947)	129,960
Transfers in	-	-	18,913	-	-	778,904	797,817	-	797,817
Transfers (out)	(466,178)	(312,726)	-	(18,913)	-	(860,977)	(1,658,794)	-	(1,658,794)
Net cash provided (used) by noncapital financing activities	(464,437)	(266,311)	(541,581)	745,358	(274,853)	145,185	(656,639)	139,332	(517,307)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>									
Purchases and construction of capital assets	-	-	-	-	-	-	-	(9,267)	(9,267)
Interest paid on capital debt	-	-	-	(690)	(6,771)	-	(7,461)	-	(7,461)
Net cash provided (used) by capital and related financing activities	-	-	-	(690)	(6,771)	-	(7,461)	(9,267)	(16,728)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
Proceeds from sale of investments	-	-	-	-	-	-	-	120,798	120,798
Purchases of investments	-	-	-	(303,000)	224,000	-	(79,000)	-	(79,000)
Interest and dividends	2,837	1,945	38,622	103,836	67,111	15,864	230,215	8,174	238,389
Net cash provided (used) by investing activities	2,837	1,945	38,622	(199,164)	291,111	15,864	(79,000)	128,972	41,798
Net increase (decrease) in cash equivalents	(461,673)	(264,367)	(502,959)	545,504	1,110	161,032	(751,568)	180,057	(579,685)
Cash balance at the beginning of year	461,673	264,367	821,046	585	-	586,611	2,134,282	475,721	2,610,003
<b>Cash balance at the end of the year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 318,087</b>	<b>\$ 546,089</b>	<b>\$ 1,110</b>	<b>\$ 747,643</b>	<b>\$ 1,612,929</b>	<b>\$ 655,778</b>	<b>\$ 2,268,707</b>
Displayed as:									
Cash and cash equivalents at end of year	\$ -	\$ -	\$ 318,087	\$ 546,089	\$ 1,110	\$ 747,643	\$ 1,612,929	\$ 655,778	\$ 2,268,707
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>									
Operating income (loss)	\$ (73)	\$ (1)	\$ -	\$ (690)	\$ (15,148)	\$ (17)	\$ (15,929)	\$ (88,247)	\$ (104,176)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:									
Interest on debt service	-	-	-	690	6,771	-	7,461	-	7,461
Change in assets and liabilities:									
Capital outlay	-	-	-	-	-	-	-	9,267	9,267
Net cash provided (used) by operating activities	\$ (73)	\$ (1)	\$ -	\$ -	\$ (8,377)	\$ (17)	\$ (8,468)	\$ (78,980)	\$ (87,448)

The accompanying notes are an integral part of these financial statements.



**GLADWIN COUNTY**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**December 31, 2004**

	<u><b>Trust and Agency Fund</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,387,029
Other receivables	-
Total assets	<u>1,387,029</u>
<b>LIABILITIES</b>	
Due to other funds	86,747
Other liabilities	1,300,282
Total liabilities	<u>1,387,029</u>
<b>NET ASSETS</b>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Gladwin County (the “County”) was organized in 1875, covers an area of 503 square miles divided into 15 townships and 2 cities, and has 26,023 residents (based on the 2000 census). The county seat is located in the City of Gladwin. The County of Gladwin operates under an elected Board of Commissioners (7 members) and provides many services to its residents including law enforcement, administration of justice, community enrichment and development and human services.

The financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to County governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County’s more significant accounting policies are described below.

**A. Reporting Entity**

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 “The Financial Reporting Entity”, these financial statements present the County (the primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading, if data were not included. The component unit columns in the combined financial statements include the financial data of the County’s component units, which are reported in a separate column to emphasize that they are legally separate from the County.

**Discretely Presented Component Units**

The following component units are reported within the “component unit” column in the financial statements. The discretely presented component unit is an entity that is legally separate from the County, but for which the unit is financially accountable, or its relationship with the County is such that exclusion would cause the units financial statements to be misleading or incomplete.

Road Commission – The Gladwin County Road Commission, which is established pursuant to the County Road Law (MCL 244.1), is governed by an elected 3 member Board of County Road Commissioners. The Road Commission may not issue debt or levy a tax without the approval of the County Board of Commissioners. If approval is granted, Road Commission’s taxes are levied under the taxing authority of the County, as approved by the County electors, and are included as part of the County’s total tax levy and reported in the County Road Fund.

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

City-County Transit System – The Gladwin City-County Transit System, a component unit of Gladwin County, is a county-wide transportation system created by an interlocal agreement dated June 22, 1981 between the County of Gladwin and the City of Gladwin. Pursuant to the interlocal agreement, administrative control of the system was transferred to the Gladwin City Housing Commission with the County Treasurer acting as fiscal agent for the system.

The Gladwin City-County Transit System may not issue debt and the tax levy is subject to County Board of Commissioners approval. The transit taxes are levied under the taxing authority of the County, as approved by the County electors, and are included as part of the County's total tax levy and are reported in the City-County Transit Fund.

Drain Commission – Pursuant to the Drain Code of 1956, the Drain Commissioner has the responsibility to administer the State Drain Code. The Drain Commissioner is responsible for planning, developing, and maintaining surface water drainage systems within the County. The Drain Commissioner may issue debt or levy a tax as authorized by the Drain Code without the approval of the County Board of Commissioners. The financial statements of the Drain Commission are presented as part of Exhibits 2 and 3.

Department of Public Works – Pursuant to Michigan Compiled Law 123.732, the County of Gladwin entered into a program of water supply and sanitary sewer facility construction. The Department of Public Works is under the general control of the County Board of Commissioners and under the immediate control of a Board of Works, which includes the County Drain Commissioner. The Board of Public Works is considered an agency of the County. The Board manages water supply and sanitary sewer system construction projects that are bonded by the County of Gladwin. Bonds issued are authorized by an ordinance or a resolution approved by the Board of Public Works and adopted by the Gladwin County Board of Commissioners. The financial statements for the Department of Public Works are presented as part of Exhibits 2 and 3.

Complete financial statements of the individual component units can be obtained from their respective administrative offices or from the County Clerk's Office at the Courthouse.

**Administrative Offices**

Gladwin County Road Commission  
301 South State Street  
Gladwin, MI 48624

Gladwin County Drain Commission  
555 West Cedar Avenue  
Gladwin, MI 48624

Gladwin City-County Transit  
Gladwin City Housing Commission  
215 South Antler  
Gladwin, MI 48624

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Administrative Offices (continued)**

Gladwin County Department of Public Works  
401 West Cedar Avenue  
Gladwin, MI 48624

**Joint Organizations**

Central Michigan District Health Department – Gladwin, Clare, Arenac, Isabella, Osceola, and Roscommon Counties participate jointly in the operation of the Central Michigan District Health Department. All of the financial operations of the District Health Department are recorded in the records of Isabella County.

The funding formula approved by the member counties is based pro-rata on each unit's population and equalized valuation to the District total population and valuation. Member counties' percentages of the net operating budget for the year of 2004 were:

Gladwin	14.37%	Isabella	28.50%
Clare	16.85%	Osceola	12.44%
Arenac	10.54%	Roscommon	17.30%

Central Michigan Community Mental Health Services – The Central Michigan Community Mental Health Service Board consists of the Counties of Gladwin, Clare, Isabella, Mecosta, Midland, and Osceola. Financial records for the board are recorded and maintained by Isabella County. The funding formula is based on the ratio of population of each County to the total district's population for the net cost of administration and district programs and 100 percent of the net costs of the individual County programs. For the fiscal year ended September 30, 2004, the actual County contribution percentages were:

Gladwin	7.78%	Mecosta	14.19%
Clare	11.82%	Midland	38.89%
Isabella	18.39%	Osceola	8.93%

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Other Joint Organizations**

City-County Airport and Bayanet – The City-County Airport and Bayanet (joint narcotics agency) are not considered blended or discrete component units of Gladwin County per GASB 14 and therefore their financial statements are not presented with the County.

Related disclosures for the County's component units have been incorporated into the notes to the general purpose financial statements and are referenced to the above mentioned component units when applicable.

**Related Organizations**

Northern Michigan Substance Abuse Services, Inc. (NMSAS) – Gladwin County, in conjunction with thirty-one (31) other counties, has entered into an agreement which created the Northern Michigan Substance Abuse Services, Inc. This organization's board is composed of one member appointed by the board of commissioners from each of the participating counties.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contribution that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the fiscal period. Revenue susceptible to accrual includes property taxes, state revenue sharing and interest.

The County reports the following major governmental type funds:

The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes, State and Federal aid and charges for services to provide for the administration and operation of (1) general County governmental departments, boards, and commission; (2) court systems; (3) law enforcement; and (4) health, welfare, and medical assistance.

The **Gypsy Moth Fund** accounts for the State revenues for providing citizens with services to help control gypsy moths.

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation  
(continued)**

The County reports the following major proprietary type funds:

The **Enterprise Funds** account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City-County Transit Fund is the only enterprise fund.

The **Internal Service Funds** account for the financing of goods and services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units on a cost reimbursement basis, or for the purchase of delinquent real property taxes from local units of government.

The **Tax Revolving Funds** account for money advanced by the County to other local taxing units and various county funds to pay their delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties, and interest.

Additionally, the County reports the following fund types:

The **Special Revenue Funds** account for specific revenue (other than special assessments, expendable trust, or major capital projects) derived from State and Federal grants, general fund appropriations, and charges for services which are to be expended for specific purposes as dictated by legal, regulatory, or administrative requirements.

The **Debt Service Funds** account for revenues which are restricted for the payment of principal and interest on debt recorded in the general long-term debt account group.

The **Capital Projects Funds** account for the acquisition or construction of major facilities other than those financed by proprietary fund operations or special assessments.

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation  
(continued)**

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

**Cash, Cash Equivalents and Investments**

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. The County's investment policies are governed by State statutes. Statutes authorize the County to invest in obligations of the U.S. Treasury and agencies (either individually or in pooled funds), domestic certificates of deposit, commercial paper with prescribed ratings and repurchase agreements. The terms of investments and financial institutions used for investments purposes are determined based upon County needs.

**Deposits and Investments**

Investments consist of certificates of deposit and U.S. Government Securities with original maturities of greater than 90 days. Investments are recorded at market value in accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.



**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Receivables and Payables**

In general, activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e., the current portion of the interfund loans) or “advances to/from other funds” (i.e., the non-current portion of the interfund loans). All other outstanding balance between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

**Inventories and Prepaid Items**

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect cost applicable to future years and are recorded as prepaid items in the government-wide and fund statements.

**Restricted Assets**

The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

**Deferred Revenue**

Deferred revenue consists of amounts related to long-term receivables recorded at the fund level that are not available to finance current period expenditures and are therefore deferred and also amounts received for various grant programs that has not yet been earned.

**Interfund Transactions**

During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred, if any, during the construction of capital assets of business-type activities is included in the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings & improvements	39	years
Vehicles & boats	3 to 5	years
Office equipment	5 to 10	years
Computer equipment	3 to 5	years
Furniture	10	years

**Compensated Absences (Vacation and Sick Leave)**

The County has an accrued liability for accumulated vested vacation benefits payable and for some accumulated sick leave benefits for certain employees. As of December 31, 2004 the accumulated vested vacation and sick leave benefits of the employees based on union/employment contracts for various departments are as follows:

	<u>Vacation</u>	<u>Sick Leave</u>	<u>Total</u>
Accrued vacation and sick leave	<u>\$ 78,774</u>	<u>\$ 126,514</u>	<u>\$ 205,288</u>

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Reservations and Designations**

Reservations of fund balance are established to identify (1) claims against resources of the entity that have not materialized as liabilities at the balance sheet date, or (2) the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure, for example, inventories and prepayments. Such reserves are not intended as valuation allowances, but merely demonstrate the current unavailability of the subject assets to pay current expenditures. Amounts reserved in the Retirement Systems represent portions of fund equity which are required to be segregated in accordance with County ordinances.

Designations of fund balance indicate plans for future financial resource utilization. These designations represent those portions of fund equity which cannot be appropriated for expenditures.

**Encumbrances**

Encumbrances are commitments under purchase orders, board resolutions and contracts (as opposed to expenditures) and are shown in the governmental fund types as a reserved portion of fund balance for subsequent fiscal year expenditure. The County does not follow Encumbrance Accounting.

**Long-Term Obligations**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations, if any, of fund balance represent tentative management plans that are subject to change.

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

The General Fund and Special Revenue Funds operate under formal budgetary control. A general appropriation budget is prepared in accordance with Michigan Public Act 2 of 1968, as amended, and the budgetary document is submitted annually by the County Administrator/Controller to the Finance Committee which recommends formal adoption by the Gladwin County Board of Commissioners. Budgets presented in the financial statements are prepared on a modified accrual basis of accounting and encompass all amendments.

Budgetary control is exercised at the activity level. The Administrator/Controller is authorized to make budget transfers within these funds at the activity level.

The Board of Commissioners is authorized to make and has made supplemental appropriation adjustments to the budget during the fiscal year as deemed necessary at the levels of budgetary control as noted above. These adjustments are reflected in the budget amounts in the financial statements. All encumbered appropriations lapse at the end of the fiscal year.

**Excess of Expenditures Over Appropriations in Budgeted Funds**

During the year, the County incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<b><u>Budgeted Item</u></b>	<b><u>Budget Appropriation</u></b>	<b><u>Actual Expenditure</u></b>
General Fund–Board of commissioners	\$ 198,566	\$ 200,297
General Fund–Narcotics	44,877	48,601
General Fund–Jail	970,714	1,012,094
General Fund–Medical examiner	48,476	49,551
General Fund–Mental health	9,250	9,776
General Fund–Depreciation	-	194,666

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**NOTE 3. CASH, CASH EQUIVALENTS, DEPOSITS, AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the County to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The County is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptances of United States banks' commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The County board has designated four banks for the deposit of County funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory as listed above.

The City's deposits and investment policy are in accordance with statutory authority.

At year-end, the City's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business- Type Funds	Fiduciary Funds	Total Primary Government	Component Unit
Cash and Cash Equivalents	\$ 4,288,412	\$ 2,268,707	\$ 1,387,029	<b>\$ 7,944,148</b>	\$ 2,423,589

The breakdown between deposits and investments is as follows:

	Primary Government	Component Unit
Bank Deposits (checking and savings, certificate of deposit)	\$ 7,941,713	\$ 2,423,589
Petty Cash and Cash on Hand	2,435	-
Total	<b>\$ 7,944,148</b>	<b>\$ 2,423,589</b>

The bank balance of the primary government deposits is \$7,941,713, of which \$400,000 is covered by federal deposit insurance.

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**NOTE 4. CAPITAL ASSETS**

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital Assets Not Being Depreciated				
Land	\$ 300,327	\$ -	\$ -	\$ 300,327
Capital Assets Being Depreciated:				
Buildings and Improvements	1,568,964	-	-	1,568,964
Property & Equipment	1,144,747	74,796	(24,045)	1,195,498
Vehicles & Boats	203,250	84,747	(7,500)	280,497
Subtotal	2,916,961	159,543	(31,545)	3,044,959
Less Accumulated Depreciation for:				
Buildings and Improvements	1,568,964	-	-	1,568,964
Property & Equipment	707,336	152,517	-	859,853
Vehicles & Boats	180,350	42,149	-	222,499
Subtotal	2,456,650	194,666	-	2,651,316
Net Capital Assets Being Depreciated	460,311	(35,123)	31,545	393,643
Governmental Activities Capital Assets—Net of Depreciation	\$ 760,638	\$ (35,123)	\$ 31,545	\$ 693,970

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. The composition of interfund balances is as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General	\$ 6,305	2003 tax revolving	\$ 18,913
Public works	149,500	Drain commission	232,150
2003 tax revolving	37,326	Trust and agency	79,866
2004 tax revolving	54,506	Disaster contingency	5,305
Tax reversion	6,947		
Drain commission	81,650		
<b>Total</b>	<b><u>\$ 336,234</u></b>	<b>Total</b>	<b><u>\$ 336,234</u></b>

Advances to/from other funds:

Fund	Advances to other funds	Fund	Advances from other funds
General fund	\$ 6,300	Drain commission	\$ 6,300
Unallocated tax revolving	1,000,000	2003 tax revolving	500,000
		2004 tax revolving	500,000
<b>Total</b>	<b><u>\$ 1,006,300</u></b>	<b>Total</b>	<b><u>\$ 1,006,300</u></b>

Interfund Transfers:

Fund	Transfers Out	Fund	Transfers In
General	\$ 314,300	General	\$ 999,041
Friend of the court	57,953	Remonumentation	4,000
E-911 millage	30,000	Disaster conting.	100,000
Courthouse preserv.	80,111	Law library	8,000
Public improvement	39,174	FIA-Social welfare	15,000
Drug enforcement	60,826	Probate court	180,000
E-911 surcharge	45,000	Soldiers & Sailors	7,000
Wireless E-911	54,000	Vet's Memorial	300
1999 tax revolving	466,178	E-911 Disp. Const.	229,000
2001 tax revolving	312,726	Unallocated tax rev.	778,904
Unallocated tax rev.	860,977	2002 tax revolving	18,913
2003 tax revolving	18,913		
<b>Total</b>	<b><u>\$ 2,340,158</u></b>	<b>Total</b>	<b><u>\$ 2,340,158</u></b>

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**NOTE 6. LONG-TERM DEBT**

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties that directly benefitted from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

<b>General Long-Term Debt</b>	<b>January 1, 2004</b>	<b>Additions (Reductions)</b>	<b>December 31, 2004</b>
Note payable to Ralph and Joanne Lee, due in annual installments of \$7,286 plus interest at 4.39 percent through June, 2006.	\$ 21,857	\$ (7,286)	\$ 14,571
Building Authority Bonds, Series 1996 were issued November 1, 1996 in the amount of \$750,000 under the provisions of Act 31 of 1948 to finance the construction of a public health facility in Gladwin. In accordance with a contractual agreement, the County will provide rental payments to the Building Authority in amounts sufficient to pay the principal and interest on the bonds.	590,000	(30,000)	560,000
Gladwin City Water Bonds, dated October 15, 1976, in the amount of \$340,000 to finance the construction of a water supply system to service the City of Gladwin.	159,000	(159,000)	-
Note payable to Isabella Bank and Trust, due in annual installments of \$12,962 including interest at 4.88 percent through July, 2008.	53,991	(10,125)	43,866
Gladwin County, Pary Drain Drainage District. Series 2002 Notes maturing serially through 2012 in annual principal amounts of \$65,000 to \$70,000, with an annual interest rate of 6%.	595,000	(65,000)	530,000



**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**NOTE 6. LONG-TERM DEBT (Continued)**

Gladwin County, Payne Creek Drainage District. Series 2002 Notes maturing serially through 2012 in annual principal amounts of \$45,000 to \$50,000, with an annual interest rate of 6%.

415,000                      (45,000)                      370,000

City of Gladwin Water Supply and Sewage Disposal System No. 1, Series 1996 Bonds were issued March 1, 1996 in the amount of \$1,525,000 under the provisions of Act 185 of 1957 to finance the construction of a water supply system and sewage disposal system improvements to service the City of Gladwin. In accordance with a contractual agreement, the City deposits sufficient money with the County Treasurer to service the annual debt payments.

1,400,000                      (35,000)                      1,365,000

Butman Township Sewage Disposal System Bonds, Series 1995 bonds were issued May 1, 1995 in the amount of \$950,000 under the provisions of Act 185 of 1957 to finance the construction of a sewage disposal system and appurtenances to service the Township of Butman. In accordance with a contractual agreement, the Township deposits sufficient money with the County Treasurer to service the annual debt payments.

110,000                      (110,000)                      -

City of Gladwin Water Supply and Sewage Disposal System No. 1, Series 1997 Bonds were issued September 17, 1997 in the amount of \$450,000 under the provisions of Act 185 of 1957 to finance the construction of a water supply system and sewage disposal system improvements to service the City of Gladwin. In accordance with a contractual agreement, the City deposits sufficient money with the County Treasurer to service the annual debt payments.

300,000                      (30,000)                      270,000

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**NOTE 6. LONG-TERM DEBT (Continued)**

Michigan Transportation Fund Bonds,  
dated June 1, 2004 in the amount of  
\$2,000,000 to finance the construction of  
road commission vehicle storage  
facilities. Principal payments are due  
annually on February 1, with an interest  
rate ranging from 3.25% to 5.0%, payable  
February 1, and August 1

-                      2,000,000                      2,000,000

Gladwin County Road Commission  
Installment purchase agreements

317,529                      17,722                      335,251

Accrued vacation and sick leave

552,560                      (3,451)                      549,109

**Total General Long-Term Debt**

**\$ 4,514,937                      \$ 1,522,860                      \$ 6,037,797**

The annual principal and interest requirements through maturity for all long-term debt  
outstanding as of December 31, 2004, are as follows:

<u>Year</u>	<u>General Obligations</u>
2005	\$ 596,841
2006	766,660
2007	544,289
2008	532,366
2009	599,947
2010-2024	5,376,231
	<u>8,416,334</u>
Less interest	2,378,537
<b>Total</b>	<b><u>\$ 6,037,797</u></b>

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**NOTE 7. RISK MANAGEMENT**

The County is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation), as well as medical benefits provided to employees. The County manages risk through the purchase of commercial insurance.

**Liability, vehicle physical damage, and property and crime** - The County is a member of the Michigan Municipal Liability and Property Pool, which is an association organized to purchase commercial insurance for protection against loss for Michigan cities, counties, townships and special service governments. The County is insured up to the following limits: Liability - \$5,000,000, vehicle physical damage - \$5,000,000 and property and crime - \$5,000,000, subject to deductibles of \$1,000, \$100 - \$250 and \$1,000, respectively. The County is not subject to supplemental premium assessments by the association.

**Workers' compensation** - The County purchases coverage through the Michigan Municipal Workers' Compensation Fund. The Fund is authorized by State law to provide its members with coverage required by the Workers' Disability Compensation Act. Claims are subject to a maximum limit of \$500,000 per occurrence.

**NOTE 8. DEFERRED COMPENSATION PLAN**

The County offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries.

The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer (County) for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the County's financial statements.

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**NOTE 8. DEFERRED COMPENSATION PLAN (Continued)**

A summary of changes in the plan's investment account during the year ended December 31, 2004, follows:

Balance – January 1, 2004	\$ 616,428
Employee Contributions and Transfers	108,288
Current Withdrawals and Transfers	(91,751)
Interest and Market Gains	52,459
Adjustments / Fees	(790)
Balance – December 31, 2004	<u>\$ 684,634</u>

**NOTE 9. EMPLOYEES' RETIREMENT PLAN**

Gladwin County maintains a benefit pension plan with the Municipal Employees' Retirement System administered by the State of Michigan. The most recent period for which actuarial data was available is for the fiscal year ended December 31, 2004 for the County. The County's payroll for employees covered by the system's plans for the year ended December 31, 2004, was \$3,359,765.

**Plan Description** - The defined benefit plan is operated by the Municipal Employees Retirement System (MERS), which is an agent multiple-employer retirement system. MERS is authorized and operated under State law, Act 135 of the Public Acts of 1945, as amended. MERS issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to:

Municipal Employees Retirement System of Michigan  
447 Canal Road  
Lansing, Michigan 48917

The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Benefits vest after 6 years of service. Normal retirement is based on one of the following requirements:

1. Age 60 with 10 or more years of credited service.
2. Age 55 with 15 or more years of credited service.
3. Age 55 with 25 or more years of credited service.

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**NOTE 9. EMPLOYEES' RETIREMENT PLAN (Continued)**

The retirement allowance is reduced  $\frac{1}{2}$  of 1% for each complete month that the retirement date precedes the age at which full normal retirement benefits are available. Pension provisions include allowances whereby an employee may terminate employment with the County after accumulating 6 years of service but before reaching the age of 60 (age 55 or 50 in certain cases). If the employee does not withdraw his or her accumulated contributions, the employee is entitled to all pension benefits upon reaching retirement age as discussed above.

The Disability retirement allowance is provided to employees who are totally and permanently disabled while employed by a participating municipality and after acquiring 10 or more years of credited service. The service requirement is waived if the disability is from service-connected causes. The allowance is computed in the same manner as a service retirement allowance, except that the reduction for retirement before age 60 is not applied. If disability is from service-connected causes, the amount of retirement allowance shall be computed as if the member has acquired exactly 10 years of credited service, if the actually acquired credited service is less than 10 years.

If a member or vested former member with 10 or more years of service dies before retirement, a monthly survivor's allowance may be payable. A named contingent survivor beneficiary (if any) will receive a retirement allowance computed in the same manner as a service retirement allowance, but reduced to reflect an Option II (100 percent joint and survivor) election. The reduction for retirement before age 60 is not applied. If there is no named beneficiary and the member leaves a spouse, the spouse will receive a survivor's allowance. Payment of a retirement allowance to the surviving spouse of a deceased member commences immediately. Payment of a retirement allowance to the surviving spouse of a deceased vested former member shall not commence prior to the date the member would have first satisfied a Section 10 age and service requirement for an unreduced service retirement allowance. The amount of a surviving spouse's retirement allowance shall be 85 percent of the deceased member's or deceased vested former member's accrued retirement allowance and computed in the same manner as a service retirement allowance, based on service and final average compensation at time of death. If there is no named beneficiary and no retirement allowance being paid to a surviving spouse, unmarried children under 21 will be paid an equal share of 50 percent of the deceased member's or deceased vested member's accrued retirement allowance. The reduction for retirement before age 60 is not applied.

A duty connected death allowance computed in the same manner in all respects as a nonduty-connected death allowance may be payable to a spouse or children if death occurs as the result of performance of duty with a participating municipality. The 10 year service requirement is waived, and the minimum benefit is 25 percent of the deceased member's final average compensation. If no retirement allowance becomes payable at death, the member's accumulated contributions are paid to his or her beneficiary.

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**NOTE 9. EMPLOYEES' RETIREMENT PLAN (Continued)**

Benefit E provides a one-time benefit increase to present retirees and beneficiaries. The amount of the increase is equal to 2 percent of the present benefit times the number of years since the later of retirement or last Benefit E increase. Benefit E may be readopted from time to time.

Benefit E-1 provides automatic 2.5 percent annual noncompounded benefit increases to persons (and their beneficiaries) retired before the effective date of Benefit E-1. Cumulative increases are limited to increases in the consumer price index. The County and the County Road Commission make annual contributions based on the actuarial valuations.

**Funding Policy** - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due.

**Contributions made and Contributions required** – The MERS' funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The County's normal cost and amortization payment for the year ended December 31, 2004, was determined using an attained age actuarial funding method. Unfunded actuarial liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. During the year ended December 31, 2004, employer contributions totaling \$372,025 was made by the County, which is in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2002.

**NOTE 10. IMPLEMENTATION OF NEW ACCOUNTING STANDARD**

As of and for the year ended December 31, 2004, the County implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a governments' major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**NOTE 11. TAXES RECEIVABLE – DELINQUENT**

**Internal Service Funds** – The internal service fund's delinquent taxes receivable consists of the unpaid delinquent taxes due to the internal service funds and pledged for the payment of any outstanding tax notes. The tax notes' proceeds were used to purchase the delinquent taxes from the various County tax assessing units under the provisions of Section 211.87 (b) of the Michigan Compiled Laws, as amended. Unpaid delinquent taxes were recorded as revenue by the County operating, debt service, and special assessment funds (debt service fund type) when purchased by the internal service funds.

The losses to the internal service funds for delinquent taxes will be minimal because the County Treasurer charges back to all taxing units those taxes which are canceled when the properties are deeded to the State of Michigan for nonpayment of taxes, in accordance with the provisions of the MCL 211.87 (b) (1).

**NOTE 12. CONTINGENT LIABILITIES**

The County, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigations. The County's Prosecuting Attorney estimates that the potential claims against the County, not covered by insurance resulting from such litigation, would not materially affect the financial statements of the County.

**NOTE 13. OTHER INFORMATION**

**Restatements**

As a result of the implementation of the GASB 34 pronouncements for the year ended December 31, 2004, the following restatements have been made regarding the beginning net assets for the component units for the County.

Beginning net assets for the component units was determined as follows:

**County Road Commission**

Fund balance as of December 31, 2003, as restated	\$ 2,280,665
Add: governmental capital assets, including general fixed assets, as of December 31, 2003	5,031,037
Deduct: accumulated depreciation on capital assets as of December 31, 2003	(3,849,617)
Deduct: amount due on installment purchase agreement as of December 31, 2003	(317,529)
Deduct: long-term portion of compensated absences payable as of December 31, 2003	<u>(328,160)</u>
Governmental net assets, restated, as of January 1, 2004	<u><u>\$ 2,816,396</u></u>

**GLADWIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

City/County Transit

Fund balance as of December 31, 2003, as restated	\$ 1,389,842
Add:	-
Deduct:	<u>-</u>
Governmental net assets, restated, as of January 1, 2004	<u><u>\$ 1,389,842</u></u>

Department of Public Works

Fund balance as of December 31, 2003, as restated	\$ 7,547
Add: receivable from City of Gladwin for guarantee of debt, as of December 31, 2003	1,635,000
Deduct: bonds payable, December 31, 2003	<u>(1,810,000)</u>
Governmental net assets, restated, as of January 1, 2004	<u><u>\$ (167,453)</u></u>

Drain Commission

Fund balance as of December 31, 2003, as restated	\$ 426,194
Add: capital assets including infrastructure for the county, as of December 31, 2003	1,271,300
Deduct: bonds payable	<u>(958,437)</u>
Governmental net assets, restated, as of January 1, 2004	<u><u>\$ 739,057</u></u>

Building Authority

Fund balance as of December 31, 2003, as restated	\$ 44,423
Add: Capital asset, new building, as of December 31, 2003	750,000
Deduct: bonds payable	<u>(560,000)</u>
Governmental net assets, restated, as of January 1, 2004	<u><u>\$ 234,423</u></u>



**GLADWIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Year Ended December 31, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Property taxes and related fees	\$ 3,379,826	\$ 3,569,138	\$ 3,565,204	\$ (3,934)
Licenses and permits	274,900	290,111	287,163	(2,948)
Federal aid	133,807	153,359	149,828	(3,531)
State aid	851,653	904,119	744,572	(159,547)
Contributions from local units	41,292	41,292	25,146	(16,146)
Charges for services	1,088,195	1,312,699	1,241,324	(71,375)
Interest and dividends	21,500	38,142	33,860	(4,282)
Miscellaneous	555,413	357,562	319,741	(37,821)
<b>Total revenues</b>	<b>6,346,586</b>	<b>6,666,422</b>	<b>6,366,838</b>	<b>(299,584)</b>
<b>EXPENDITURES</b>				
Legislative				
Board of Commissioners	\$ 198,729	\$ 198,566	\$ 200,297	\$ (1,731)
Judicial				
Circuit court	199,930	211,836	201,341	10,495
Circuit court - Reporter	38,594	40,476	39,886	590
District court	447,421	456,735	438,382	18,353
District court - P.I.T.	28,035	32,409	31,876	533
Friend of the court	260,367	267,139	263,888	3,251
Michigan works grant	21,132	21,325	9,831	11,494
Jury commission	185	185	113	72
Probate court	285,244	295,033	291,901	3,132
Circuit court probation	16,100	16,100	11,335	4,765
Grand jury	350	350	-	350
General Government				
Elections	62,342	63,172	61,181	1,991
Clerk	239,215	240,099	236,876	3,223
Financial coordinator	17,122	29,425	27,524	1,901
Equalization	170,647	172,225	153,476	18,749
Prosecuting attorney	307,343	309,928	282,882	27,046
Register of deeds	193,102	195,283	180,728	14,555
Treasurer	183,757	184,056	177,230	6,826
Cooperative extention	55,050	56,028	53,239	2,789
Data processing	57,194	57,194	56,655	539
Building authority	209	209	-	209
Building and grounds	258,213	292,162	284,623	7,539
Drain commissioner	63,596	63,694	56,551	7,143
Audit services	31,500	31,500	29,728	1,772
Plat board	200	200	-	200
Duplicator	27,000	32,172	19,740	12,432
Telephone contract	22,000	22,000	18,445	3,555
Mail department	54,000	54,000	50,573	3,427
Public safety				
Sheriff	949,056	955,553	862,059	93,494
Narcotics	43,624	44,877	48,601	(3,724)
Law enforcement block grant	-	-	-	-
Universal hiring	57,904	59,829	50,419	9,410
Secondary road patrol	53,032	68,330	64,522	3,808
Marine division	25,407	26,193	20,320	5,873
Junk ordinance department	11,724	11,787	11,120	667
Jail	819,002	970,714	1,012,094	(41,380)
Jail - meals	157,130	157,883	133,228	24,655
Construction code department	249,430	252,614	245,023	7,591
Planning commission	8,345	24,286	12,407	11,879
Zoning administration	45,096	54,203	47,928	6,275
Emergency 911	545,253	569,039	527,658	41,381
Office of emergency preparedness	17,770	19,732	17,913	1,819
Animal control	120,327	122,043	118,445	3,598
Livestock claims	100	100	-	100

**GLADWIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULE (Concluded)**  
**GENERAL FUND**  
**For the Year Ended December 31, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
Public works				
Department of public works	1,450	1,820	1,534	286
Drains-at-large	4,936	4,936	4,936	-
Health and welfare				
Public health	173,861	175,565	173,498	2,067
Employee health service	250	250	-	250
Contagious diseases	1,000	1,000	755	245
Substance abuse	39,319	40,312	40,312	-
Medical examiner	38,000	48,476	49,551	(1,075)
Mental health	91,531	91,531	90,234	1,297
Institutional care	5,187	5,187	1,297	3,890
Mental health - Guardianships	9,250	9,250	9,776	(526)
Veterans' affairs	65,086	65,810	62,898	2,912
Recreation and culture				
Parks and recreation	14,014	14,559	9,831	4,728
Other				
Insurance and bonds	180,250	180,250	155,802	24,448
Health insurance	142,552	142,552	141,748	804
Contingency	124,618	229,455	-	229,455
City/County airport	30,000	30,000	30,000	-
Tax tribunal and board of review	7,000	7,000	5,813	1,187
Miscellaneous appropriations	320,300	320,300	314,300	6,000
Capital outlay	167,135	188,526	182,412	6,114
<b>Total expenditures</b>	<b>7,757,516</b>	<b>8,237,463</b>	<b>7,624,735</b>	<b>612,728</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(1,410,930)</b>	<b>(1,571,041)</b>	<b>(1,257,897)</b>	<b>313,144</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers-in	1,310,930	1,471,041	1,460,041	(11,000)
Transfers-out	-	-	-	-
<b>Total other financing sources and uses</b>	<b>1,310,930</b>	<b>1,471,041</b>	<b>1,460,041</b>	<b>(11,000)</b>
<b>Net change in fund balances</b>	<b>(100,000)</b>	<b>(100,000)</b>	<b>202,144</b>	<b>302,144</b>
Fund balances-beginning	835,548	835,548	835,548	-
<b>Fund balances-ending</b>	<b>\$ 735,548</b>	<b>\$ 735,548</b>	<b>\$ 1,037,692</b>	<b>\$ 302,144</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULE**  
**GYPSY MOTH FUND**  
**For the Year Ended December 31, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Property taxes and related fees	\$ 335	\$ 335	\$ 22	\$ (313)
State aid	20,000	20,000	36,499	16,499
Interest and dividends	5,020	5,020	14,611	9,591
Miscellaneous	1,500	1,500	945	(555)
<b>Total revenues</b>	<b>26,855</b>	<b>26,855</b>	<b>52,077</b>	<b>25,222</b>
<b>EXPENDITURES</b>				
Other	90,254	87,704	77,307	10,397
Capital outlay	1,500	4,050	4,049	1
<b>Total expenditures</b>	<b>91,754</b>	<b>91,754</b>	<b>81,356</b>	<b>10,398</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(64,899)</b>	<b>(64,899)</b>	<b>(29,279)</b>	<b>35,620</b>
<b>Net change in fund balances</b>	<b>(64,899)</b>	<b>(64,899)</b>	<b>(29,279)</b>	<b>35,620</b>
Fund balances-beginning	1,109,826	1,109,826	1,109,826	-
<b>Fund balances-ending</b>	<b>\$ 1,044,927</b>	<b>\$ 1,044,927</b>	<b>\$ 1,080,547</b>	<b>\$ 35,620</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2004**

	Special Revenue Funds			
	Emergency Medical Services	Friend of the Court	E-911 Millage	Econ. Dev. Admin.
<b>ASSETS</b>				
Cash and cash equivalents	\$ 561,463	\$ 8,294	\$ 313,049	\$ 2,985
Receivables (net)				
Taxes	712,993	361,966	-	-
Accounts receivable	-	-	-	-
Due from other governmental units	-	6,905	-	-
Due from other funds	-	-	-	-
<b>Total assets</b>	<b>\$ 1,274,456</b>	<b>\$ 377,165</b>	<b>\$ 313,049</b>	<b>\$ 2,985</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	350,000	-
Deferred revenue				
Taxes and assessments	712,993	361,966	-	-
<b>Total liabilities</b>	<b>712,993</b>	<b>361,966</b>	<b>350,000</b>	<b>-</b>
<b>Fund balance</b>				
Unreserved				
Undesignated	561,463	15,199	(36,951)	2,985
<b>Total fund balance</b>	<b>561,463</b>	<b>15,199</b>	<b>(36,951)</b>	<b>2,985</b>
<b>Total liabilities and fund balance</b>	<b>\$ 1,274,456</b>	<b>\$ 377,165</b>	<b>\$ 313,049</b>	<b>\$ 2,985</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2004**

	<b>Special Revenue Funds</b>			
	<b>Courthouse Preservation</b>	<b>Public Improvement</b>	<b>Remonumentation</b>	<b>ROD Technology</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,190	\$ 3,139	\$ 21,485	\$ 35,809
Receivables (net)				
Taxes	-	-	-	-
Accounts receivable	-	-	-	-
Due from other governmental units	-	-	-	-
Due from other funds	-	-	-	-
<b>Total assets</b>	<b>\$ 3,190</b>	<b>\$ 3,139</b>	<b>\$ 21,485</b>	<b>\$ 35,809</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 29,394	\$ -
Due to other funds	-	-	-	-
Deferred revenue				
Taxes and assessments	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>29,394</b>	<b>-</b>
<b>Fund balance</b>				
Unreserved				
Undesignated	3,190	3,139	(7,909)	35,809
<b>Total fund balance</b>	<b>3,190</b>	<b>3,139</b>	<b>(7,909)</b>	<b>35,809</b>
<b>Total liabilities and fund balance</b>	<b>\$ 3,190</b>	<b>\$ 3,139</b>	<b>\$ 21,485</b>	<b>\$ 35,809</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2004**

	Special Revenue Funds			
	Disaster Contingency	Marriage Counseling	Correction Officer Training	Drug Enforcement
<b>ASSETS</b>				
Cash and cash equivalents	\$ 101,817	\$ 18,556	\$ 15,089	\$ 68,501
Receivables (net)				
Taxes	-	-	-	-
Accounts receivable	-	-	-	-
Due from other governmental units	-	-	812	-
Due from other funds	-	-	-	-
<b>Total assets</b>	<b>\$ 101,817</b>	<b>\$ 18,556</b>	<b>\$ 15,901</b>	<b>\$ 68,501</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 557	\$ -	\$ -
Due to other funds	5,305	-	-	-
Deferred revenue				
Taxes and assessments	-	-	-	-
<b>Total liabilities</b>	<b>5,305</b>	<b>557</b>	<b>-</b>	<b>-</b>
<b>Fund balance</b>				
Unreserved				
Undesignated	96,512	17,999	15,901	68,501
<b>Total fund balance</b>	<b>96,512</b>	<b>17,999</b>	<b>15,901</b>	<b>68,501</b>
<b>Total liabilities and fund balance</b>	<b>\$ 101,817</b>	<b>\$ 18,556</b>	<b>\$ 15,901</b>	<b>\$ 68,501</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2004**

	Special Revenue Funds			
	Law Library	County Library	Williams Library Memorial	E-911 4% Surcharge
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,831	\$ 105,638	\$ 334,042	\$ 152,748
Receivables (net)				
Taxes	-	350,952	-	-
Accounts receivable	-	-	-	-
Due from other governmental units	-	-	-	-
Due from other funds	-	-	-	-
<b>Total assets</b>	<b>\$ 1,831</b>	<b>\$ 456,590</b>	<b>\$ 334,042</b>	<b>\$ 152,748</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ 773	\$ 5,831	\$ 88	\$ -
Due to other funds	-	-	-	75,000
Deferred revenue				
Taxes and assessments	-	350,952	-	-
<b>Total liabilities</b>	<b>773</b>	<b>356,783</b>	<b>88</b>	<b>75,000</b>
<b>Fund balance</b>				
Unreserved				
Undesignated	1,058	99,807	333,954	77,748
<b>Total fund balance</b>	<b>1,058</b>	<b>99,807</b>	<b>333,954</b>	<b>77,748</b>
<b>Total liabilities and fund balance</b>	<b>\$ 1,831</b>	<b>\$ 456,590</b>	<b>\$ 334,042</b>	<b>\$ 152,748</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2004**

	Special Revenue Funds			
	Wireless E-911	Commissary	Sheriff Training	Jail Telephone
<b>ASSETS</b>				
Cash and cash equivalents	\$ 62,141	\$ 13,221	\$ 2,692	\$ 54,379
Receivables (net)				
Taxes	-	-	-	-
Accounts receivable	23,870	-	-	-
Due from other governmental units	-	-	-	-
Due from other funds	-	-	-	-
<b>Total assets</b>	<b>\$ 86,011</b>	<b>\$ 13,221</b>	<b>\$ 2,692</b>	<b>\$ 54,379</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	36,000
Deferred revenue				
Taxes and assessments	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,000</b>
<b>Fund balance</b>				
Unreserved				
Undesignated	86,011	13,221	2,692	18,379
<b>Total fund balance</b>	<b>86,011</b>	<b>13,221</b>	<b>2,692</b>	<b>18,379</b>
<b>Total liabilities and fund balance</b>	<b>\$ 86,011</b>	<b>\$ 13,221</b>	<b>\$ 2,692</b>	<b>\$ 54,379</b>

The accompanying notes are an integral part of these financial statements.



**GLADWIN COUNTY**  
**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2004**

	Special Revenue Funds			
	Project Fresh	Senior Citizens Program	FIA - Social Welfare	FIA - Child Care
<b>ASSETS</b>				
Cash and cash equivalents	\$ 40,264	\$ 77,079	\$ 30,287	\$ 3,205
Receivables (net)				
Taxes	-	350,952	-	-
Accounts receivable	-	-	-	-
Due from other governmental units	-	-	-	-
Due from other funds	-	-	-	-
<b>Total assets</b>	<b>\$ 40,264</b>	<b>\$ 428,031</b>	<b>\$ 30,287</b>	<b>\$ 3,205</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ 2,615	\$ -	\$ 5,301	\$ 481
Due to other funds	-	-	-	-
Deferred revenue				
Taxes and assessments	-	350,952	-	-
<b>Total liabilities</b>	<b>2,615</b>	<b>350,952</b>	<b>5,301</b>	<b>481</b>
<b>Fund balance</b>				
Unreserved				
Undesignated	37,649	77,079	24,986	2,724
<b>Total fund balance</b>	<b>37,649</b>	<b>77,079</b>	<b>24,986</b>	<b>2,724</b>
<b>Total liabilities and fund balance</b>	<b>\$ 40,264</b>	<b>\$ 428,031</b>	<b>\$ 30,287</b>	<b>\$ 3,205</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2004**

	Special Revenue Funds			
	Probate Court - Child Care	Soldiers & Sailors	Veterans	Veterans Memorial Restoration
<b>ASSETS</b>				
Cash and cash equivalents	\$ 76,523	\$ 8,364	\$ 418	\$ 410
Receivables (net)				
Taxes	-	-	-	-
Accounts receivable	-	-	-	-
Due from other governmental units	-	-	-	-
Due from other funds	-	-	-	-
<b>Total assets</b>	<b>\$ 76,523</b>	<b>\$ 8,364</b>	<b>\$ 418</b>	<b>\$ 410</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Deferred revenue				
Taxes and assessments	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance</b>				
Unreserved				
Undesignated	76,523	8,364	418	410
<b>Total fund balance</b>	<b>76,523</b>	<b>8,364</b>	<b>418</b>	<b>410</b>
<b>Total liabilities and fund balance</b>	<b>\$ 76,523</b>	<b>\$ 8,364</b>	<b>\$ 418</b>	<b>\$ 410</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2004**

	<b>Special Revenue Funds</b>	
	<b>Parks &amp; Recreation - Little League</b>	<b>TOTAL Special Revenue</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1	\$ 2,116,620
Receivables (net)		
Taxes	-	1,776,863
Accounts receivable	-	23,870
Due from other governmental units	-	7,717
Due from other funds	-	-
<b>Total assets</b>	<b>\$ 1</b>	<b>\$ 3,925,070</b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 45,040
Due to other funds	-	466,305
Deferred revenue		
Taxes and assessments	-	1,776,863
<b>Total liabilities</b>	<b>-</b>	<b>2,288,208</b>
<b>Fund balance</b>		
Unreserved		
Undesignated	1	1,636,862
<b>Total fund balance</b>	<b>1</b>	<b>1,636,862</b>
<b>Total liabilities and fund balance</b>	<b>\$ 1</b>	<b>\$ 3,925,070</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2004**

	<b>Debt Service Funds</b>		
	<b>Probate Court Child Care #395</b>	<b>MTF Bond Series 2004</b>	<b>Total Debt Service</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 4,910	\$ 4,910
Receivables (net)			
Taxes	-	-	-
Accounts receivable	-	-	-
Due from other governmental units	-	-	-
Due from other funds	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 4,910</b>	<b>\$ 4,910</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Deferred revenue	-	-	-
Taxes and assessments	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance</b>			
Unreserved			
Undesignated	-	4,910	4,910
<b>Total fund balance</b>	<b>-</b>	<b>4,910</b>	<b>4,910</b>
<b>Total liabilities and fund balance</b>	<b>\$ -</b>	<b>\$ 4,910</b>	<b>\$ 4,910</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2004**

	<b>Capital Project Funds</b>			
	<b>Vehicle Storage Facility Construction</b>	<b>Public Works</b>	<b>E-911 Dispatch Construction</b>	<b>Total Capital Project Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 317,580	\$ 518	\$ 25,154	\$ 343,252
Receivables (net)				
Taxes	-	-	-	-
Accounts receivable	-	-	-	-
Due from other governmental units	-	-	-	-
Due from other funds	-	149,500	-	149,500
<b>Total assets</b>	<b>\$ 317,580</b>	<b>\$ 150,018</b>	<b>\$ 25,154</b>	<b>\$ 492,752</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 23,271	\$ 23,271
Due to other funds	-	-	-	-
Deferred revenue				
Taxes and assessments	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>23,271</b>	<b>23,271</b>
<b>Fund balance</b>				
Unreserved				
Undesignated	317,580	150,018	1,883	469,481
<b>Total fund balance</b>	<b>317,580</b>	<b>150,018</b>	<b>1,883</b>	<b>469,481</b>
<b>Total liabilities and fund balance</b>	<b>\$ 317,580</b>	<b>\$ 150,018</b>	<b>\$ 25,154</b>	<b>\$ 492,752</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING BALANCE SHEET (Concluded)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2004**

	<b>Total Nonmajor Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,464,782
Receivables (net)	
Taxes	1,776,863
Accounts receivable	23,870
Due from other governmental units	7,717
Due from other funds	149,500
	<hr/>
<b>Total assets</b>	<b>\$ 4,422,732</b>
	<hr/> <hr/>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accounts payable	\$ 68,311
Due to other funds	466,305
Deferred revenue	
Taxes and assessments	1,776,863
	<hr/>
<b>Total liabilities</b>	<b>2,311,479</b>
	<hr/>
<b>Fund balance</b>	
Unreserved	
Undesignated	2,111,253
	<hr/>
<b>Total fund balance</b>	<b>2,111,253</b>
	<hr/>
<b>Total liabilities and fund balance</b>	<b>\$ 4,422,732</b>
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2004**

	Special Revenue Funds			
	Emergency Medical Services	Friend of the Court	E-911 Millage	Econ. Dev. Admin.
<b>REVENUES</b>				
Property taxes and related fees	\$ 541,800	\$ -	\$ 343,400	\$ -
Licenses and permits	-	-	-	-
Federal aid	-	54,187	-	-
State aid	2,076	-	1,413	-
Contributions	-	-	-	-
Charges for services	-	1,365	-	-
Fines, fees, and forfeits	-	-	-	-
Interest and dividends	7,173	2	3,528	-
Sale of assets	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>551,049</b>	<b>55,554</b>	<b>348,341</b>	<b>-</b>
<b>EXPENDITURES</b>				
Legislative	\$ -	\$ -	\$ -	\$ -
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	590	-
Public works	-	-	-	-
Health and welfare	464,374	-	-	-
Recreation and culture	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
Depreciation	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>464,374</b>	<b>-</b>	<b>590</b>	<b>-</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>86,675</b>	<b>55,554</b>	<b>347,751</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt obligations	-	-	-	-
Transfers-in	-	-	-	-
Transfers-out	-	(57,953)	(380,000)	-
<b>Total other financing sources and uses</b>	<b>-</b>	<b>(57,953)</b>	<b>(380,000)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>86,675</b>	<b>(2,399)</b>	<b>(32,249)</b>	<b>-</b>
Fund balances-beginning	474,788	17,598	(4,702)	2,985
<b>Fund balances-ending</b>	<b>\$ 561,463</b>	<b>\$ 15,199</b>	<b>\$ (36,951)</b>	<b>\$ 2,985</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2004**

	Special Revenue Funds			
	Courthouse Preservation	Public Improvement	Remonumentation	ROD Technology
<b>REVENUES</b>				
Property taxes and related fees	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Federal aid	-	-	-	-
State aid	-	-	56,050	-
Contributions	-	-	-	-
Charges for services	-	-	-	53,010
Fines, fees, and forfeits	-	-	-	-
Interest and dividends	575	1,257	-	49
Sale of assets	-	-	-	-
Miscellaneous	8,215	-	-	-
<b>Total revenues</b>	<b>8,790</b>	<b>1,257</b>	<b>56,050</b>	<b>53,059</b>
<b>EXPENDITURES</b>				
Legislative	\$ -	\$ -	\$ -	\$ -
Judicial	-	-	-	-
General government	-	-	64,292	46,292
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Other	2,000	-	-	-
Capital outlay	-	-	-	-
Depreciation	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>2,000</b>	<b>-</b>	<b>64,292</b>	<b>46,292</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>6,790</b>	<b>1,257</b>	<b>(8,242)</b>	<b>6,767</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt obligations	-	-	-	-
Transfers-in	-	-	4,000	-
Transfers-out	(80,111)	(100,367)	-	-
<b>Total other financing sources and uses</b>	<b>(80,111)</b>	<b>(100,367)</b>	<b>4,000</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(73,321)</b>	<b>(99,110)</b>	<b>(4,242)</b>	<b>6,767</b>
Fund balances-beginning	76,511	102,249	(3,667)	29,042
<b>Fund balances-ending</b>	<b>\$ 3,190</b>	<b>\$ 3,139</b>	<b>\$ (7,909)</b>	<b>\$ 35,809</b>

The accompanying notes are an integral part of these financial statements.



**GLADWIN COUNTY**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2004**

	Special Revenue Funds			
	Disaster Contingency	Marriage Counseling	Correction Officer Training	Drug Enforcement
<b>REVENUES</b>				
Property taxes and related fees	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Federal aid	70,846	-	-	-
State aid	-	-	-	-
Contributions	-	-	-	-
Charges for services	-	2,615	14,343	-
Fines, fees, and forfeits	-	-	-	2,400
Interest and dividends	1,518	113	-	562
Sale of assets	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>72,364</b>	<b>2,728</b>	<b>14,343</b>	<b>2,962</b>
<b>EXPENDITURES</b>				
Legislative	\$ -	\$ -	\$ -	\$ -
Judicial	-	3,307	-	-
General government	-	-	-	-
Public safety	76,852	-	2,274	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
Depreciation	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>76,852</b>	<b>3,307</b>	<b>2,274</b>	<b>-</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(4,488)</b>	<b>(579)</b>	<b>12,069</b>	<b>2,962</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt obligations	-	-	-	-
Transfers-in	100,000	-	-	61,193
Transfers-out	-	-	-	(60,826)
<b>Total other financing sources and uses</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>367</b>
<b>Net change in fund balances</b>	<b>95,512</b>	<b>(579)</b>	<b>12,069</b>	<b>3,329</b>
Fund balances-beginning	1,000	18,578	3,832	65,172
<b>Fund balances-ending</b>	<b>\$ 96,512</b>	<b>\$ 17,999</b>	<b>\$ 15,901</b>	<b>\$ 68,501</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2004**

	Special Revenue Funds			
	Law Library	County Library	Williams Library Memorial	E-911 4% Surcharge
<b>REVENUES</b>				
Property taxes and related fees	\$ -	\$ 332,981	\$ -	\$ -
Licenses and permits	-	-	-	-
Federal aid	-	-	-	-
State aid	-	48,784	-	-
Contributions	-	7,257	333,333	-
Charges for services	-	182,168	-	113,786
Fines, fees, and forfeits	-	-	-	-
Interest and dividends	-	3,550	709	1,250
Sale of assets	-	-	-	-
Miscellaneous	-	3,745	-	-
<b>Total revenues</b>	<b>-</b>	<b>578,485</b>	<b>334,042</b>	<b>115,036</b>
<b>EXPENDITURES</b>				
Legislative	\$ -	\$ -	\$ -	\$ -
Judicial	10,028	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	559,128	-	-
Other	-	-	88	-
Capital outlay	-	-	-	-
Depreciation	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>10,028</b>	<b>559,128</b>	<b>88</b>	<b>-</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(10,028)</b>	<b>19,357</b>	<b>333,954</b>	<b>115,036</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt obligations	-	-	-	-
Transfers-in	8,000	-	-	-
Transfers-out	-	-	-	(120,000)
<b>Total other financing sources and uses</b>	<b>8,000</b>	<b>-</b>	<b>-</b>	<b>(120,000)</b>
<b>Net change in fund balances</b>	<b>(2,028)</b>	<b>19,357</b>	<b>333,954</b>	<b>(4,964)</b>
Fund balances-beginning	3,086	80,450	-	82,712
<b>Fund balances-ending</b>	<b>\$ 1,058</b>	<b>\$ 99,807</b>	<b>\$ 333,954</b>	<b>\$ 77,748</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2004**

	Special Revenue Funds			
	Wireless E-911	Commissary	Sheriff Training	Jail Telephone
<b>REVENUES</b>				
Property taxes and related fees	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Federal aid	-	-	-	-
State aid	96,294	-	-	-
Contributions	-	-	-	-
Charges for services	-	55,166	-	-
Fines, fees, and forfeits	-	-	-	-
Interest and dividends	2,146	50	-	343
Sale of assets	-	-	-	-
Miscellaneous	-	-	-	19,521
<b>Total revenues</b>	<b>98,440</b>	<b>55,216</b>	<b>-</b>	<b>19,864</b>
<b>EXPENDITURES</b>				
Legislative	\$ -	\$ -	\$ -	\$ -
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	257,451	52,923	1,709	6,786
Public works	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Other	-	-	-	-
Capital outlay	-	881	-	5,285
Depreciation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>257,451</b>	<b>53,804</b>	<b>1,709</b>	<b>12,071</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(159,011)</b>	<b>1,412</b>	<b>(1,709)</b>	<b>7,793</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt obligations	-	-	-	-
Transfers-in	-	-	-	-
Transfers-out	(54,000)	-	-	(36,000)
<b>Total other financing sources and uses</b>	<b>(54,000)</b>	<b>-</b>	<b>-</b>	<b>(36,000)</b>
<b>Net change in fund balances</b>	<b>(213,011)</b>	<b>1,412</b>	<b>(1,709)</b>	<b>(28,207)</b>
Fund balances-beginning	299,022	11,809	4,401	46,586
<b>Fund balances-ending</b>	<b>\$ 86,011</b>	<b>\$ 13,221</b>	<b>\$ 2,692</b>	<b>\$ 18,379</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2004**

	Special Revenue Funds			
	Project Fresh	Senior Citizens Program	FIA - Social Welfare	FIA - Child Care
<b>REVENUES</b>				
Property taxes and related fees	\$ -	\$ 266,734	\$ -	\$ -
Licenses and permits	-	-	-	-
Federal aid	-	-	-	-
State aid	18,972	1,370	-	27
Contributions	33,150	-	4,233	-
Charges for services	-	-	-	-
Fines, fees, and forfeits	-	-	-	-
Interest and dividends	-	2,467	-	-
Sale of assets	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>52,122</b>	<b>270,571</b>	<b>4,233</b>	<b>27</b>
<b>EXPENDITURES</b>				
Legislative	\$ -	\$ -	\$ -	\$ -
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	46,847	340,320	25,160	2,224
Recreation and cultural	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
Depreciation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>46,847</b>	<b>340,320</b>	<b>25,160</b>	<b>2,224</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>5,275</b>	<b>(69,749)</b>	<b>(20,927)</b>	<b>(2,197)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt obligations	-	-	-	-
Transfers-in	-	-	15,000	-
Transfers-out	-	-	-	-
<b>Total other financing sources and uses</b>	<b>-</b>	<b>-</b>	<b>15,000</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>5,275</b>	<b>(69,749)</b>	<b>(5,927)</b>	<b>(2,197)</b>
Fund balances-beginning	32,374	146,828	30,913	4,921
<b>Fund balances-ending</b>	<b>\$ 37,649</b>	<b>\$ 77,079</b>	<b>\$ 24,986</b>	<b>\$ 2,724</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2004**

	Special Revenue Funds			
	Probate Court - Child Care	Soldiers & Sailors	Veterans	Veterans Memorial Restoration
<b>REVENUES</b>				
Property taxes and related fees	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Federal aid	-	-	-	-
State aid	19,277	-	2,224	-
Contributions	-	30	-	-
Charges for services	-	-	-	-
Fines, fees, and forfeits	-	-	-	-
Interest and dividends	-	-	-	-
Sale of assets	-	-	-	-
Miscellaneous	7,397	-	-	-
<b>Total revenues</b>	<b>26,674</b>	<b>30</b>	<b>2,224</b>	<b>-</b>
<b>EXPENDITURES</b>				
Legislative	\$ -	\$ -	\$ -	\$ -
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	140,319	5,284	2,051	96
Recreation and cultural	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
Depreciation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>140,319</b>	<b>5,284</b>	<b>2,051</b>	<b>96</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(113,645)</b>	<b>(5,254)</b>	<b>173</b>	<b>(96)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt obligations	-	-	-	-
Transfers-in	180,000	7,000	-	300
Transfers-out	-	-	-	-
<b>Total other financing sources and uses</b>	<b>180,000</b>	<b>7,000</b>	<b>-</b>	<b>300</b>
<b>Net change in fund balances</b>	<b>66,355</b>	<b>1,746</b>	<b>173</b>	<b>204</b>
Fund balances-beginning	10,168	6,618	245	206
<b>Fund balances-ending</b>	<b>\$ 76,523</b>	<b>\$ 8,364</b>	<b>\$ 418</b>	<b>\$ 410</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2004**

	<u>Special Revenue Funds</u>	
	<u>Parks &amp; Recreation - Little League</u>	<u>TOTAL Special Revenue</u>
<b>REVENUES</b>		
Property taxes and related fees	\$ -	\$ 1,484,915
Licenses and permits	-	-
Federal aid	-	125,033
State aid	23,805	270,292
Contributions	36,666	414,669
Charges for services	-	422,453
Fines, fees, and forfeits	-	2,400
Interest and dividends	-	25,292
Sale of assets	-	-
Miscellaneous	-	38,878
<b>Total revenues</b>	<u><b>60,471</b></u>	<u><b>2,783,932</b></u>
<b>EXPENDITURES</b>		
Legislative	\$ -	\$ -
Judicial	-	13,335
General government	-	110,584
Public safety	-	398,585
Public works	-	-
Health and welfare	-	1,026,675
Recreation and cultural	60,482	619,610
Other	-	2,088
Capital outlay	-	6,166
Depreciation	-	-
Debt service		
Principal	-	-
Interest	-	-
<b>Total expenditures</b>	<u><b>60,482</b></u>	<u><b>2,177,043</b></u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u><b>(11)</b></u>	<u><b>606,889</b></u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds from debt obligations	-	-
Transfers-in	-	375,493
Transfers-out	-	(889,257)
<b>Total other financing sources and uses</b>	<u><b>-</b></u>	<u><b>(513,764)</b></u>
<b>Net change in fund balances</b>	<u><b>(11)</b></u>	<u><b>93,125</b></u>
Fund balances-beginning	<u>12</u>	<u>1,543,737</u>
<b>Fund balances-ending</b>	<u><u><b>\$ 1</b></u></u>	<u><u><b>\$ 1,636,862</b></u></u>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2004**

	<b>Debt Service Funds</b>		
	<b>Probate Court Child Care #395</b>	<b>MTF Bond Series 2004</b>	<b>Total Debt Service</b>
<b>REVENUES</b>			
Property taxes and related fees	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Federal aid	-	-	-
State aid	-	-	-
Contributions	162,983	-	162,983
Charges for services	-	-	-
Fines, fees, and forfeits	-	-	-
Interest and dividends	-	4,944	4,944
Sale of assets	-	-	-
Miscellaneous	-	-	-
<b>Total revenues</b>	<b>162,983</b>	<b>4,944</b>	<b>167,927</b>
<b>EXPENDITURES</b>			
Legislative	\$ -	\$ -	\$ -
Judicial	-	-	-
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	-	-
Recreation and cultural	-	-	-
Other	-	34	34
Capital outlay	-	-	-
Depreciation	-	-	-
Debt service	-	-	-
Principal	159,000	-	159,000
Interest	3,983	-	3,983
<b>Total expenditures</b>	<b>162,983</b>	<b>34</b>	<b>163,017</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>-</b>	<b>4,910</b>	<b>4,910</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from debt obligations	-	-	-
Transfers-in	-	-	-
Transfers-out	-	-	-
<b>Total other financing sources and uses</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>4,910</b>	<b>4,910</b>
Fund balances-beginning	-	-	-
<b>Fund balances-ending</b>	<b>\$ -</b>	<b>\$ 4,910</b>	<b>\$ 4,910</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2004**

	Capital Project Funds			
	Vehicle Storage Facility Construction	Public Works	E-911 Dispatch Construction	Total Capital Project Funds
<b>REVENUES</b>				
Property taxes and related fees	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Federal aid	-	-	-	-
State aid	-	-	-	-
Contributions	300,000	-	-	300,000
Charges for services	-	-	-	-
Fines, fees, and forfeits	-	-	-	-
Interest and dividends	680	601	-	1,281
Sale of assets	-	-	-	-
Miscellaneous	1,980,000	-	-	1,980,000
<b>Total revenues</b>	<b>2,280,680</b>	<b>601</b>	<b>-</b>	<b>2,281,281</b>
<b>EXPENDITURES</b>				
Legislative	\$ -	\$ -	\$ -	\$ -
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Public works	1,963,100	-	227,117	2,190,217
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
Depreciation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>1,963,100</b>	<b>-</b>	<b>227,117</b>	<b>2,190,217</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>317,580</b>	<b>601</b>	<b>(227,117)</b>	<b>91,064</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt obligations	-	-	-	-
Transfers-in	-	-	229,000	229,000
Transfers-out	-	-	-	-
<b>Total other financing sources and uses</b>	<b>-</b>	<b>-</b>	<b>229,000</b>	<b>229,000</b>
<b>Net change in fund balances</b>	<b>317,580</b>	<b>601</b>	<b>1,883</b>	<b>320,064</b>
Fund balances-beginning	-	149,417	-	149,417
<b>Fund balances-ending</b>	<b>\$ 317,580</b>	<b>\$ 150,018</b>	<b>\$ 1,883</b>	<b>469,481</b>

The accompanying notes are an integral part of these financial statements.



**GLADWIN COUNTY**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (Concluded)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2004**

	<b>Total Nonmajor Funds</b>
<b>REVENUES</b>	
Property taxes and related fees	\$ 1,484,915
Licenses and permits	-
Federal aid	125,033
State aid	270,292
Contributions	877,652
Charges for services	422,453
Fines, fees, and forfeits	2,400
Interest and dividends	31,517
Sale of assets	-
Miscellaneous	2,018,878
<b>Total revenues</b>	<b>5,233,140</b>
<b>EXPENDITURES</b>	
Legislative	\$ -
Judicial	13,335
General government	110,584
Public safety	398,585
Public works	2,190,217
Health and welfare	1,026,675
Recreation and cultural	619,610
Other	2,122
Capital outlay	6,166
Depreciation	-
Debt service	
Principal	159,000
Interest	3,983
<b>Total expenditures</b>	<b>4,530,277</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>702,863</b>
<b>OTHER FINANCING SOURCES (USES)</b>	
Proceeds from debt obligations	-
Transfers-in	604,493
Transfers-out	(889,257)
<b>Total other financing sources and uses</b>	<b>(284,764)</b>
<b>Net change in fund balances</b>	<b>418,099</b>
Fund balances-beginning	1,693,154
<b>Fund balances-ending</b>	<b>2,111,253</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**  
**December 31,2004**

	<b>County Road Commission</b>	<b>City/County Transit</b>	<b>Dept. of Public Works</b>	<b>Drain Commission</b>	<b>Building Authority</b>	<b>Total Component Units</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,223,494	\$ 479,457	\$ 7,611	\$ 627,450	\$ 85,577	\$ 2,423,589
Receivables (net)						
Taxes	1,308,748	-	-	-	-	1,308,748
Accounts receivable	711,952	14,800	-	-	-	726,752
Other receivable	-	-	1,635,000	-	-	1,635,000
Due from other governmental units	11,370	153,203	-	81,650	-	246,223
Inventories	174,637	48,286	-	-	-	222,923
Prepaid expenses	-	76,636	-	-	-	76,636
Other assets	48,091	-	-	-	-	48,091
Capital assets, net						
Land	108,225	244,565	-	-	-	352,790
Buildings	-	-	-	-	750,000	750,000
Equipment	1,109,129	643,088	-	-	-	1,752,217
Infrastructure	3,990,461	-	-	1,271,300	-	5,261,761
Construction in progress	2,345,502	399,053	-	-	-	2,744,555
<b>Total assets</b>	<b>11,031,609</b>	<b>2,059,088</b>	<b>1,642,611</b>	<b>1,980,400</b>	<b>835,577</b>	<b>17,549,285</b>
<b>LIABILITIES</b>						
<b>Liabilities</b>						
Accounts payable	65,015	104,311	-	111,153	-	280,479
Accrued liabilities	40,597	11,382	-	-	-	51,979
Due to other governmental units	-	-	-	81,650	-	81,650
Due to other funds	-	-	-	150,500	-	150,500
Advances from other governmental units	144,482	-	-	-	-	144,482
Advances from other funds	-	-	-	6,300	-	6,300
Deferred revenue	1,311,748	155,864	-	-	-	1,467,612
Long-term liabilities:						
Bonds and contracts payable	2,335,251	-	1,635,000	958,437	560,000	5,488,688
Compensated absences	323,633	20,188	-	-	-	343,821
<b>Total liabilities</b>	<b>4,220,726</b>	<b>291,745</b>	<b>1,635,000</b>	<b>1,308,040</b>	<b>560,000</b>	<b>8,015,511</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	5,218,066	1,286,706	(1,635,000)	312,863	(560,000)	4,622,635
Unrestricted	1,592,817	480,637	1,642,611	359,497	835,577	4,911,139
<b>Total net assets</b>	<b>\$ 6,810,883</b>	<b>\$ 1,767,343</b>	<b>\$ 7,611</b>	<b>\$ 672,360</b>	<b>\$ 275,577</b>	<b>\$ 9,533,774</b>

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY**  
**COMBINING STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**  
**For the Year Ended December 31, 2004**

Functions / Programs	Program Revenues				Net (Expense) Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Component unit						
County Road Commission						
Governmental Activities:						
Public works	\$ 3,591,671	\$ 1,646,888	\$ 3,669,557	\$ 934,025	\$ 2,658,799	
Interest on long-term debt	-	-	-	-	-	
	<u>3,591,671</u>	<u>1,646,888</u>	<u>3,669,557</u>	<u>934,025</u>	<u>2,658,799</u>	
City/County Transit						
Business Activities:						
Public works	1,457,019	232,191	-	-	(1,224,828)	
Interest on long-term debt	-	-	-	-	-	
	<u>1,457,019</u>	<u>232,191</u>	<u>-</u>	<u>-</u>	<u>(1,224,828)</u>	
Department of Public Works						
Governmental Activities:						
Public works	-	-	-	-	-	
Interest on long-term debt	101,078	-	-	-	(101,078)	
	<u>101,078</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(101,078)</u>	
Drain Commission						
Governmental Activities:						
Public works	504,361	-	-	-	(504,361)	
Interest on long-term debt	37,092	-	-	-	(37,092)	
	<u>541,453</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(541,453)</u>	
Building Authority						
Governmental Activities:						
Public works	350	72,250	-	-	71,900	
Interest on long-term debt	31,902	-	-	-	(31,902)	
	<u>32,252</u>	<u>72,250</u>	<u>-</u>	<u>-</u>	<u>39,998</u>	
	<u>\$ 5,723,473</u>	<u>\$ 1,951,329</u>	<u>\$ 3,669,557</u>	<u>\$ 934,025</u>	<u>\$ 831,438</u>	
	County Road Commission	City/County Transit	Dept. of Public Works	Drain Commission	Building Authority	Total
Net (expense) revenue	\$ 2,658,799	\$ (1,224,828)	\$ (101,078)	\$ (541,453)	\$ 39,998	\$ 831,438
General revenues:						
Property taxes and related fees	1,257,002	323,402	-	463,892	-	2,044,296
Federal aid	-	609,163	-	-	-	609,163
State aid	-	696,440	-	-	-	696,440
Local contributions	-	-	276,142	-	-	276,142
Interest and dividends	26,325	5,321	-	8,091	1,156	40,893
Miscellaneous	52,361	8,003	-	2,773	-	63,137
	<u>1,335,688</u>	<u>1,642,329</u>	<u>276,142</u>	<u>474,756</u>	<u>1,156</u>	<u>3,730,071</u>
Total general revenues	1,335,688	1,642,329	276,142	474,756	1,156	3,730,071
Change in net assets	3,994,487	417,501	175,064	(66,697)	41,154	4,561,509
Net assets, beginning of year, as restated	2,816,396	1,349,842	(167,453)	739,057	234,423	4,972,265
Net assets, end of year	\$ 6,810,883	\$ 1,767,343	\$ 7,611	\$ 672,360	\$ 275,577	\$ 9,533,774

The accompanying notes are an integral part of these financial statements.

**GLADWIN COUNTY  
SCHEDULE OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Receipts or Revenue Recognized	Disbursements or Expenditures
<b>PRIMARY GOVERNMENT</b>			
US Department of Health and Human Services			
Passed through Michigan Department of Social Services			
Incentive FOC	93.563	\$35,464	\$35,464
CRP - Friend of the Court	93.563	51,220	51,220
US Department of Justice			
Passed through the Michigan Department of Management and Budget			
Office of Criminal Justice and City of Saginaw			
Narcotics/Bayonet	16.579	42,478	42,478
Federal Emergency Management Agency			
Passed through Michigan Department of State Police			
Emergency Management/Civil Defence	83.552	4,749	4,749
Emergency Management	83.562	16,117	16,117
Domestic Preparedness	16.007	37,354	37,354
Homeland Security	16.007	33,492	33,492
<b>TOTAL PRIMARY GOVERNMENT</b>		<u>220,874</u>	<u>220,874</u>
<b>CITY-COUNTY TRANSIT SYSTEM (COMPONENT UNIT)</b>			
US Department of Transportation			
Passed through Michigan Department of Transportation			
Capital Assistance	20.500	474,503	474,503
Operating Assistance	20.509	137,143	137,143
<b>TOTAL CITY-COUNTY TRANSIT SYSTEM (COMPONENT UNIT)</b>		<u>611,646</u>	<u>611,646</u>
<b>GRAND TOTAL REPORTING ENTITY</b>		<u><u>\$832,520</u></u>	<u><u>\$832,520</u></u>

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the County conform to generally accepted accounting principles as applicable to state and local governmental units. The following is a summary of the more significant policies relating to the aforementioned grant programs.

1. The Schedule of Expenditures of Federal Awards was prepared using the modified accrual basis of accounting.
2. The County is a member of the Michigan Municipal Management Authority, which is a public entity risk pool with other units of government in Michigan. These self-insurance plans provide members with loss of protections for property damage, general liability, automobile damage and machinery damage.
3. This schedule of expenditures of federal awards includes the federal grant activity of Gladwin County. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Gladwin County Board of Commissioners  
Gladwin County Courthouse  
401 West Cedar Avenue  
Gladwin, MI 48624

We have audited the general purpose financial statements of Gladwin County, Michigan, as of and for the year ended December 31, 2004, and have issued our report thereon dated May 13, 2005. We did not audit the financial statements of the Gladwin County Road Commission, which represent 58% of fund equity and 71% of the revenues of the County's component units. Those financial statements were audited by other auditors whose report thereon have been provided to us, and our opinion, insofar as it relates to the amounts included for the Gladwin County Road Commission Funds, is based solely on the reports of other auditors. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Gladwin County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under *Government Accounting Standards*. These items are listed as 2004-1 and 2004-2 in the accompanying Schedule of Findings and Questioned Costs.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gladwin County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted four matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. These items are listed as 2004-3 through 2004-6 in the accompanying Schedule of Findings and Questioned Costs.

In planning and performing our audit of the financial statements of Gladwin County for the year ended December 31, 2004, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. Accordingly, we do not express such an opinion.

This report is intended solely for the information and use of management, others within the organization, the Gladwin County Board of Commissioners and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Bernard P. Long, P.C.", written in a cursive style.

Midland, Michigan  
May 13, 2005

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Gladwin County Board of Commissioners  
Gladwin County Courthouse  
401 West Cedar Avenue  
Gladwin, MI 48624

**Compliance**

We have audited the compliance of Gladwin County with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. Gladwin County's major federal programs are identified in the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Gladwin County's management. Our responsibility is to express an opinion on Gladwin County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Gladwin county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Gladwin County's compliance with those requirements.

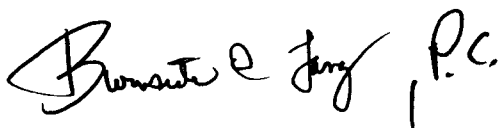
In our opinion, Gladwin County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

**Internal Control Over Compliance**

The management of Gladwin County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Gladwin County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted one matter identified as *Finding 2004-3* in the Schedule of Findings and Questioned Costs involving the internal control over compliance and its operations that we consider to be a reportable condition.

This report is intended solely for the information and use of management, others within the organization, the Gladwin County Board of Commissioners and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Brenda E. Jorgensen, P.C.", with a stylized flourish at the end.

Midland, Michigan  
May 13, 2005



## **GLADWIN COUNTY**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2004**

#### **Section 1 - Summary of Audit Results**

1. The auditors' report expresses an unqualified opinion on the general purpose financial statements of Gladwin County.
2. Four reportable conditions have been disclosed relating to the audit of the general purpose financial statements.
3. Two instances of noncompliance material to the financial statements of Gladwin County were disclosed during the audit.
4. The auditors' report on compliance for the major federal award programs as listed in the schedule of federal awards expresses an unqualified opinion.
5. Audit findings, if any, relative to the State of Michigan for Gladwin County are reported in Section II and III of this Schedule.
6. The program tested as major program was the Gladwin County Transit.
7. The threshold for distinguishing Types A and B programs was \$300,000.
8. Gladwin County is a low-risk auditee.

#### **Section II - Internal Control Findings**

##### Grant Administration and Accounting

*Finding 2004-3*

The County Clerk and Treasurer do not receive detail grant records in a timely manner to record this data in the accounting information system.

##### Vendor Invoices and Accounts Payable

*Finding 2004-4*

Vendor invoices are not received directly by the County Clerk's Office and input directly into the accounting information system.

## **GLADWIN COUNTY**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2004**

#### **Section II - Internal Control Findings (Continued)**

##### Cash Collections

*Finding 2004-5*

Cash collected by various departments within the County is not forwarded to the County Treasurer's Office in a consistent and timely manner.

##### Financial Planning

*Finding 2004-6*

The County is not performing the analysis required to estimate revenues and expenditures beyond the current one year budget cycle.

#### **Section III - Compliance Findings**

##### Budgeting

*Finding 2004-1*

County personnel do not follow the State of Michigan's required format for presenting a budget for its General and Special Revenue Funds.

##### Fund Deficits

*Finding 2004-2*

The County has one fund in a deficit condition as of December 31, 2004 and have not filed the required deficit elimination plans within 90 days as prescribed by the State of Michigan.

Management of Gladwin County recognizes the above deficiencies and plans to correct each one by December 31, 2005 or sooner.

July 19, 2005

Members of the Board of  
County Commissioners  
Gladwin County  
401 West Cedar Avenue  
Gladwin, Michigan 48624

Dear Commission Members:

In planning and performing our audit of the financial statements of Gladwin County, for the year ended December 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that we believe to be material weaknesses.

### **REPORTABLE CONDITIONS**

#### **Fund Deficit (Repeat Comment)**

The Remonumentation Fund (255) has a deficit as of December 31, 2004. Public Act 275 of 1980 (MCL 141.921) requires that the County file a deficit elimination plan to the Michigan Department of Treasury within 90 days after the end of the fiscal year. We recommend the Clerk or Treasurer file a deficit elimination plan to comply with State Treasury requirements.

#### **Grant Administration and Accounting (Repeat Comment)**

The County Clerk and Treasurer do not receive detail Bayonet grant records in a timely manner to record this data in the accounting information system. We recommend the Clerk and Treasurer urge the appropriate official from the Bayonet program to have timely grant records sent to the County.

Vendor Invoices and Accounts Payable (Repeat Comment)

Vendor invoices are not timely received directly by the County Clerk's Office and input timely into the accounting information system. We recommend the County implement a more streamlined incoming mail process. All mail should go through a central contact, and invoices to the Treasurer or Clerk in a timely fashion.

Cash Collections (Repeat Comment)

Cash collected by various departments within the County is not forwarded to the County Treasurer's Office in a consistent and timely manner. We recommend a policy to be forwarded to the various departments stating deadlines of reporting cash collected to the Treasurer, and enforcing such deadlines.

District Court Bank Accounts

Friend of the Court and District Court need to reconcile bank accounts and give to Treasurer on a monthly basis. We recommend researching the law on requirements for monthly reconciling and reporting to the Treasurer and implementing this requirement.

Disclosure of Effects of the Budget on Fund Balance (Repeat Comment)

Michigan law requires governmental entities to disclose the effects of the budget on fund balance. When reviewing the 2005 budget, we discovered the county did not comply with this requirement. We recommend the Clerk and Treasurer become familiar with the Michigan budget formats, and implement this in their upcoming budgets.

**OTHER MATTERS**

The following item, although not considered a reportable condition, is a matter we believe worthy of your consideration.

Conflict of Interest Policy

The County has not adopted a formal conflict of interest policy that addresses transactions with related parties such as when awarding contracts and purchasing goods and services. We recommend the County document, in writing, a policy and related procedures that address disclosure requirements regarding transactions and relationships that may involve potential conflicts of interests. Among other matters the policy should provide that:

- No undisclosed or unrecorded asset is to be established for any purpose.
- No false entries are to be made in the books for any reason, and no employee shall engage in any arrangement that results in such prohibited act.
- No payments are to be approved or made with the intention that any part is to be used for any purpose other than that described in the supporting documents.

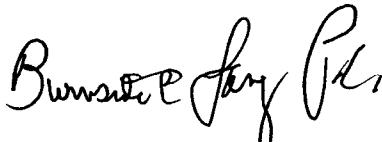
This policy and procedure will provide guidance to the Board members for related party transactions and help ensure inappropriate influence over decisions is avoided.

Conclusion

These conditions were considered in determining the nature, timing, and extent of the audit tests applied on our audit of the December 31, 2004, financial statements, and this report does not affect our report on those financial statements dated July 19, 2005. We have not considered internal control since the date of our report.

This report is intended for the information of the members of the Board of County Commissioners, management and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in cursive script, appearing to read "Burnside & Lang, P.C.", written in dark ink.

**BURNSIDE & LANG, P.C.**